the latin american economy in 1969

excerpt from ECLA survey

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Basic aspects of Latin American development strategy

Introduction

When the development of the low-income countries is compared with the trends of the world economy, the actual results give cause for a certain feeling of pessimism and frustration since the gap between them and the industrialized countries in terms of living conditions and rates of growth has grown. Scientific and technological progress has made great strides in recent years, but it has concentrated the benefits of economic expansion in the countries which already had the highest income levels -Japan and the socialist countries. The developing countries have little or no influence on the major decisions in international finance and economic policy, and they benefit from them only indirectly.

Latin America as a whole in important respects is worse off than other regions of the periphery. At the end of the 1960's, although some progress has been made in significant areas, the economic and social targets set by regional agencies and in national plans have not been achieved. The fundamental internal and external problems of Latin American development, far from being close to solution, have become gradually worse. Latin America is declining in economic importance in the world and at the same time becoming increasingly dependent, financially and politically, in the international sphere.

There is already awareness that the programme for the Second United Nations Development Decade must do more than fix new targets and make statements and proposals that would for the most part probably be a repetition of those already made. It is urgently necessary to attack the fundamental problems, present them clearly, and examine possible solutions and practical measures to achieve them. The targets which are eventually fixed will then be closely related to basic decisions in both the internal and the external spheres.

Development in the 1960's

Only six Latin American countries attained the Alliance for Progress target of raising per capita income by 2.5 per cent annually (see table 1). Regional exports grew by only 43.8 per cent during the period 1960-1968, less than the increase achieved by the developed countries, the developing countries as a whole, and the socialist countries. Moreover, the terms of trade declined, there was little diversification of exports, and there was a high degree of concentration in the geographical distribution of trade.

The region's indebtedness has more than doubled, and remittances of profits and interest, and amortization and other payments on foreign capital, represent over 35 per cent of the current value of exports of goods and services. Furthermore, there has been a great increase in private foreign investment in the acquisition of Latin American enterprises engaged in traditional economic, financial or other activities, without there being any technical or other justification for foreign take-overs and the weakening of Latin American enterprise.

There are, however, some positive developments: there is greater understanding and practical knowledge of Latin America's economic, social and political problems, and also greater technical competence to tackle them; progress has been made in public sector planning and in curbing inflation; agrarian reform programmes have been launched in some countries and social services have been extended. Regional integration has been set in motion and there has been co-ordinated action by the Latin American Governments in discussions of foreign trade and financing. Despite all these advances, however, there is profound disquiet regarding the ultimate course of Latin American development, stimulated by the fact that social unrest and conflict have been aggravated and by the new dimensions and characteristics of long-standing obstacles to development.

The average product per person employed in Latin America is barely 1 400 dollars (between one-quarter and one-sixth of the figures for Western Europe and the United States), and partly reflects the fact that probably less than 10 per cent of the labour force is employed in the relatively modern enterprises which produce 50 per cent of total output.

In addition to being low, average productivity in Latin America increases very slowly, and is virtually at a standstill or even diminishing in the rural subsistence-level sectors and in various urban services, on account of the pressure of important sectors with surplus manpower.

One indication of the low level and insignificant growth of productivity is the inability of the economic process to absorb the working population in productive employment, which creates distortions in the employment structure that are all too common. The low average product per person employed, the marked disparities in productivity and the scale of structural unemployment are three interrelated factors which account for the low average level of income prevailing in the region (approximately 410 dollars) and also for the extreme inequality in the distribution of income and consumption.

The basic causes of Latin America's economic and social backwardness are the slow pace of political and social change, opposition to the establishment of new institutional conditions that would facilitate the key decisions required for development, and the slow adaptation to changing conditions of international trade. Thus, national planning has merely added another official administrative component to a traditional decision-making structure which has remained essentially unchanged. This is illustrated by the hesitations about and opposition to agrarian reform programmes, the failure to adopt bank and financial reform and to introduce substantial changes in the existing tax systems, the weakening of national enterprises, and the obstacles to the expansion of intra-regional trade and to the establishment of a more efficient economic system.

The absorption of technical know-how in Latin America has, in general led to a limited form of modernization which has given shape to a modern sector that is separated by a great gulf, in terms of productivity and income, from the rest of the economy. While exports were the main stimulus to growth, the modern sector expanded principally on the basis of export activities; subsequently, with the stimulus of import substitution, the trend was towards industry, with modern units superimposed on a whole slowly evolving economic structure and a geographical concentration of economic activity.

Table 1

LATIN AMERICA: AVERAGE ANNUAL RATE OF GROWTH OF THE GROSS DOMESTIC PRODUCT AT FACTOR COST, 1960-1969

(Percentages)

	Total product	Per capita product
Argentina	3.5	1.9
Bolivia	5.4	3.0
Brazil	5.5	2.6
Chile	4.5	2.0
Colombia	5.0	1.5
Costa Rica	6.9	2.9
Cuba	-	-
Dominican Republic	3.4	0.1
Ecuador	4.5	1.1
El Salvador	5.6	2.3
Guatemala	5.2	2.2
Haiti	1.5	-0.8
Honduras	5.3	1.8
Mexico	6.9	3.3
Nicaragua	6.3	3.2
Panama	8.1	4.8
Paraguay	4.5	1.1
Peru	5.3	2.1
Uruguay	0.8	-0.5
Venezuela	4.5	1.1
Latin America	5.2	2.2

Source: ECLA, on the basis of official statistics.

During the 1960's, the average gross investment coefficient in Latin America was 17 per cent and, given the high concentration of income, it could have been greater were it not for the high consumption levels in the upper social strata. Moreover, if the high relative prices of capital goods compared with consumer goods are adjusted, the gross investment coefficient will probably not have been more than 12 per cent. Public spending and the composition of demand also influence the structure of investment, particularly demand for durable consumer goods. Such a distribution of resources prevents the social effects of the development process from spreading, since it keeps demand for consumer goods low in the poorer population groups and reduces the resources available for the production of consumer goods in popular demand, for increasing the social services that should be provided by the State, and for producing or importing essential intermediate and capital goods.

The growth of agricultural production has been stepped up, but not sufficiently to satisfy domestic demand, and this has often created inflationary tensions that have reduced real wages. This situation is basically due to the land tenure system, technological backwardness, low productivity and the small volume of investment in the sector.

As regards industrialization, indiscriminate import substitution has led to the development of durable consumer goods industries, instead of the strengthening of strategic activities such as steelmaking, and the manufacture of chemicals, petrochemicals, machinery and equipment. The inadequate size of a large number of plants has meant that capacity is under-utilized, capital has been squandered and productivity kept low. Added to the lack of economies of scale and specialization is the financial weakness of enterprises, particularly in the inflation-ridden countries. These, then, are the kind of factors that partly explain why more and more Latin American firms are passing into foreign hands.

Inflation is a serious stumbling-block preventing countries from framing and maintaining economic development policies, since it prevents or hampers the adoption of any important decision on such vital matters as incomes and prices, exchange rates, and government income and expenditure.

With regard to external structural factors, it is common knowledge that import substitution has failed to remedy the chronic deficit on the balance of payments and has established external relations that are extremely inelastic, because of the great weight of essential intermediate products and capital goods. This situation has been aggravated by external borrowing and its close links with the economic growth rate. The external bottleneck has important repercussions on the mobilization of domestic savings; when the potential trade gap is greater than the potential savings gap and a country has to borrow to cover its balance-of-payments deficit, the economy will eventually adapt itself either by creating idle capacity or reducing the domestic saving coefficient.

Moreover, Latin America has never had an effective foreign trade policy. Its action in the international sphere, in the face of decisions that have increasingly damaged its interests, has been weak, and it has lacked the agility and vision to adjust itself to the changes in international trade. These countries have preserved their ties with the traditional centres in a rather unsuccessful attempt at self-defence, and they have not reacted promptly to the changing conditions of international trade, which demand a more efficient and competitive process of industrial development.

Prospects and possibilities for economic development in the 1970's

The potential deficits

If the population continues to grow at its present rate, the population of Latin America will increase by 95 million to a total of 379 million by the end of the 1970's. The lowest hypothetical growth rate is 2.7 to 2.8 per cent for the next fifteen years, and the highest as much as 3.1 or 3.2 per cent. The trend of the birth rate in the next few years will not affect the size of the economically active population during the coming decade, and it may well grow rather more than before (3 per cent for the region as a whole). It is only if the birth rate grows at the lowest possible rate in accordance with the very lowest hypothesis that there will be any appreciable decrease in the proportion of children and the school-age population, and the growth rate of the total population may rise in those countries where mortality is still relatively high.

As regards domestic saving, the savings-investment elasticity in Latin America is not so great as in the developed countries, both because of external factors and because of the consumption pattern of the high-income groups and the extremely low income level of the bulk of the population. Consequently an increase in the savings coefficient depends more on structural changes and planned action than on the free interplay of the variables involved.

Assuming an annual economic growth rate of 6 per cent, the amount of domestic savings generated in sixteen countries will not be enough to finance the investment needed. 1/ The over-all savings gap is expected to total some 5 600 million dollars in 1975 and 7 200 million in 1980, representing in each case more than 20 per cent of total investment. The seriousness of the problem is

1/ For a detailed discussion of this point, see chapter I of the "Economic Survey of Latin America, 1969" (E/CN.12/851).

evident from the fact that the maximum amount of external financing received by the region as a whole has not exceeded 2 000 million dollars in recent years. Assuming a growth rate of 6.5 per cent, seventeen countries are expected to have savings gaps totalling some 8 000 and 11 000 million dollars in 1975 and 1980 respectively (25 per cent of investment); and if the growth rate is 7 per cent, all countries of the region will have potential savings gaps amounting to some 10 500 million dollars (27 per cent of investment) by 1975.

If this gap is to be reduced, the capital-output ratio must be raised by utilizing idle industrial capacity and natural resources that are now only partly exploited, and above all saving must be increased by restricting the increased consumption of the high-income groups.

An analysis of the potential foreign trade and balance-of-payments deficits indicate that the most favourable estimated annual growth rate of total exports income for eighteen countries is 4.7 per cent, while the lowest is 3.2 per cent, with an intermediate rate of 3.7 per cent.

It is estimated that if the annual growth rate of the product is 6 or 7 per cent, there must be an annual increase in the value of imports of 5.3 or 6.2 per cent. With an annual increase of 6 per cent in the product and of 3.7 per cent in exports, fifteen of the eighteen countries studied will have a potential trade gap of 1 600 million dollars by 1975, and for sixteen of them, it will have risen to some 2 800 million by 1980. If those deficits were to be covered by borrowing on the same terms as at present, the resulting potential balance-of-payments deficit would be 3 800 million dollars in 1975 and 6 600 million in 1980.

Taking an over-all growth rate of 7 per cent and the most favourable rate of expansion of exports, the potential trade gap in fifteen countries will amount to about 2 900 million dollars in 1975, and in sixteen countries to over 5 000 million dollars in 1980. These deficits would be twice as great if account was taken of the real and nominal interest and profit payments on investment and the external debt that would be incurred.

The estimates for the employment in the region as a whole show that employment opportunities have not grown so fast as the active population, with the result that open unemployment, underemployment and unproductive activities have tended to increase. In all probability, 40 per cent of the total labour force is underemployed, employed in very low productivity activities, openly unemployed or employed in unproductive services; open unemployment alone accounts for about 10 per cent of the active population.

Since the active population is expected to increase by 3 per cent annually during the 1970's, open unemployment will have doubled by 1980 and will affect more than 14 per cent of the population if unemployment continues to grow at no more than 2.5 per cent annually.

The objectives of the strategy

(a) General definition

The main objectives for a Latin American development strategy would now be evident from the above analysis. They are: (1) to speed up the growth rate so that it rises steadily and continuously and more rapidly; (2) to achieve a more equitable distribution of the benefits of increases in production, entailing the absorption of the unemployed or underemployed in more productive activities, a wider dissemination of technical know-how through a better allocation of resources designed to reduce the concentration of economic activity and social progress in too few areas, a more equitable functional and personal distribution of the average income increments resulting from economic development; and (3) to reduce or eliminate the factors that make for dependence in the external sector and to establish more favourable arrangements for trade and co-operation within the region, and between the region and the rest of the world.

However, unless a suitable strategy is adopted, some of these objectives may prove incompatible. For example, in certain circumstances, the objective of raising productivity may conflict with that of increasing employment; or an income redistribution policy that is not accompanied by a proper restructuring of production may create inflationary pressures. Likewise, the acceleration of the growth rate within the present economic structure may accentuate regional disparities and the inequality in the distribution of income, and it may well happen that planned regional development targets are not compatible with the over-all objective of attaining maximum growth over the same period.

(b) Speeding up the growth rate

One possibility that should be explored is to speed up the tempo of economic activity as soon as possible, instead of increasing it in stages, in view of the urgent need to provide employment for the available labour force and because the higher growth rate makes it less difficult to institute the changes, structural reforms and adjustments that are needed.

Restricting the consumption of the high-income groups makes it possible to increase the productive capacity of the economy by mobilizing the potential investment resources of the group where personal income is most concentrated. Combined with higher consumption in the low-income groups, this would change the structure of demand, broaden domestic markets and stimulate industrial and agricultural production.

It is estimated that, for an average annual growth rate of 6 or 7 per cent, fixed investment in the group of eighteen countries considered would have to exceed 28 000 million and 35 000 million dollars respectively by 1975. This means that the production of luxury and non-essential goods for public and private consumption would have to be curtailed, and it might even be necessary to reallocate resources.

Studies show that the large and medium-sized Latin American countries could substantially increase their production of investment goods, machinery and equipment, and, owing to the high import component of such goods, a coherent import policy providing for the allocation of resources and suitable external financial co-operation is a necessity. In addition, idle capacity must be mobilized in order to raise the capital-output ratio and absorb surplus labour.

The absorption of manpower to increase production and investment will depend, in principle, on the practical results of a policy for the utilization of land and capital and on the adoption of production techniques. At this point, the question arises of how to establish conditions which will encourage the saving needed to finance the expansion of investment on a scale commensurate with the mobilization of capital and labour resources. In Latin America more savings are probably generated than are actually invested, since: (a) domestic production of durable consumer goods absorb a sizable proportion of resources that might otherwise have provided capital for essential activities; (b) the higher cost of domestically produced capital and intermediate goods which were previously imported has reduced the real value of savings; (c) the deterioration in the terms of trade has had adverse repercussions on domestic income, the capacity to save and the possibility of adequately financing the import component of investment; (d) the growing amount of transfer payments in respect of debt servicing and foreign investment, together with outflows of national capital, have reduced the resources available for domestic investment. Therefore, it is necessary to mobilize more potential savings, and to apply an effective policy to both supply and demand which will restrict the amount of resources devoted to the production of goods for non-essential consumption, such as durable manufactures and a certain category of housing construction.

Financial co-operation cannot be even a partial substitute for the mobilization of domestic resources. Its fundamental role is to facilitate such mobilization, by helping to provide the import component required until such time as domestic production can be expanded for export or for viable import substitution.

(c) The dissemination of technical know-how and the distribution of its benefits among the social strata

The technological choices that may be offered within the context of the new structure of production will have to be analysed with a view to deciding on a specific policy for the allocation of capital resources in relation to the productive absorption of labour.

In agriculture, construction and a wide range of services there are great possibilities for improving efficiency and productivity by absorbing manpower, without entailing substantial investment. There are some key industrial sectors of the economy in which great technological progress is accompanied by a high capital intensity (chemicals production, steelmaking, etc.), thus raising the minimum economic scales of production. On the other hand, in other activities, such as the metal-transforming, textile and consumer goods industries, there are possibilities of choosing more labour-intensive techniques.

In practice, however, the investment incentives and the dependence on external supplies of capital goods and on the assimilation of external know-how prompt enterprises to use highly capital-intensive techniques.

If progress is to be made in introducing new technology and raising productivity in the backward sectors of the economy, without hampering the attainment of certain general employment objectives, a strategy must be devised which will reap some of the benefits of increased productivity by holding down consumption of luxury goods and promoting over-all savings in order to increase the amount of investment available to absorb labour.

There is a tremendously high urban concentration in the big metropolitan areas of Latin America, but these areas are unable to pump energy into the rest of the system to the extent required to promote the economic and social dynamism needed or to prevent the accumulation of structural unemployment. Some of the increase in productivity in those major centres should be syphoned off to swell investment in other areas. This could signify a lower over-all rate of growth if heavy infrastructural investment were required for the regional programmes. This does not always happen, however, and the over-all growth would probably eventually be greater than it would have been if the resources had been concentrated in certain metropolitan areas.

If income distribution is considered from the social angle, the achievement of a more equitable distribution will depend on the following: (a) an improvement in the bargaining power of the underprivileged groups, which means that they must organize themselves much more effectively; (b) a reduction of the extraordinary concentration of property ownership; and (c) the achievement of greater vertical social mobility, involving action to improve access to and lengthen attendance at educational institutions, provide better health care and increase the supply of housing and other essential goods and services, ensuring that the benefits go in the first instance to the groups that have hitherto been deprived.

In formulating distribution policy attention must be paid to ways of channelling resources generated in highly productive activities into priority investments of economic and social importance, without affecting the surpluses of the modern sector to be used for expanding the system. Thus, a large portion of the surplus could be transferred to the State for use in priority investment. Another method would be to provide incentives to ensure the same result through the decision of those controlling the surplus. In addition, action could take the form of changing the composition of demand, thereby changing the distribution of income.

(d) The external sector

Latin American policy in this field should be based on four fundamental points: (1) the growth rate must not depend entirely on foreign borrowing; (2) Latin America must have its own research policy and study how new technology can be introduced selectively and adapted to local conditions; (3) Latin America's high degree of dependence on imports of essential and capital goods is a limiting factor that can be overcome only through an expansion of production and trade; (4) stronger and more concerted action must be taken at the international level to defend Latin America's interests.

If foreign take-overs of economic activity are to be avoided, technical and financial aid must be given to Latin American national and multinational enterprises and a definite policy must be adopted with regard to foreign investment.

The following broad objectives are most important in Latin American trade policy: expansion of export income to close the potential trade gap; expansion of trade with other areas in order to escape the restrictions imposed in the traditional markets; acceleration of the integration process; and application of an import policy that will promote a more efficient economic structure and more effective growth in the Latin American countries through the rational allocation of resources.

The major objectives of the international action to be taken by the developing countries in matters of commodity trade have been defined in UNCTAD. They are the regulation of world markets, easier access to the industrialized countries' markets, diversification of markets and the abolition of special preferences.

International commodity agreements and arrangements and the establishment of buffer stocks are the two main instruments for regulating the markets. No progress has been made with regard to gaining access to the markets of industrialized countries; in fact, the situation has deteriorated, nor has there been any progress towards the elimination of discriminatory treatment. As regards the geographical diversification of markets, trade with the socialist countries has been expanded and may increase even more with the introduction of multilateral arrangements. On the other hand, there is very little trade with other developing areas, though prospects are good.

During the 1960's exports of manufactures grew at an annual rate of 10 per cent, but such exports bring in only 5 per cent of the region's total foreign exchange earnings. Export expansion could increase the external revenue of the Latin American countries, lessen their vulnerability in the external sector, and make their economies competitive from the point of view of modern industrial development. For this purpose, studies are needed of the industrial prospects of each country and of the market potential of the developed countries. On this basis a policy could be formulated for the promotion and marketing of exports which would take account of the following: the tariff and non-tariff barriers restricting the access of Latin America's manufactures to the markets of the industrialized countries; the general system of preferences needed to promote exports of manufactures; and the special preferences which impede Latin America's access to the markets of certain developed countries.

Import policy is a basic instrument for the implementation of over-all development strategy. Direct control, protective tariffs and their structure and level, exchange regulations and the various forms of subsidization must all meet the needs of integration and the promotion of exports of manufactures and also be in line with the over-all aim of building up a more efficient industry. The allocation of external resources through imports of goods should be directed towards achieving the essential objectives of increasing investment in production, raising employment and income levels and redistributing income in accordance with the above-mentioned economic and social goals.

External co-operation should take the form of facilitating the access of Latin America's exports to the markets of the developed countries at stable and remunerative prices and of giving an immediate boost to its exports of manufactures and semi-manufactures. Until these aims are achieved, financial assistance will be required, consisting principally of aid and long-term low-interest loans with long grace periods, loans on better terms in times of financial crisis, and the elimination of restrictions on the use of bilateral loans.

The Latin American economy in 1969

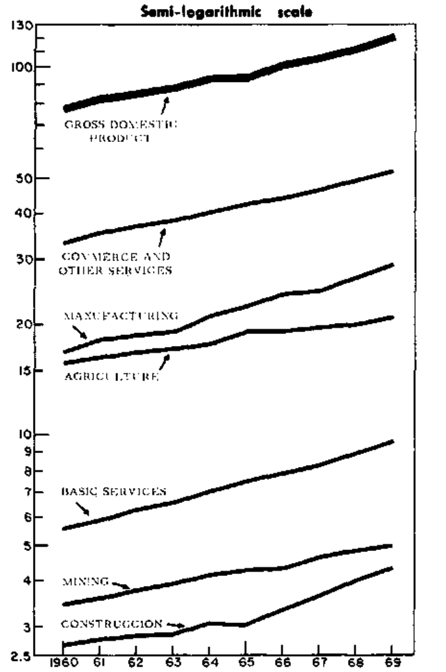
A. General features

Over-all trends

LATIN AMERICA : GROSS DOMESTIC PRODUCT BY SECTORS OF ECONOMIC ACTIVITY

(Thousands of millions of dollars at 1960 prices)

Semi-logarithmic scale



The favourable turn taken by the Latin American economy in 1968 was consolidated in 1969. The domestic product grew at a rate of 6.4 per cent compared with 6.1 per cent the previous year. These rates imply significant progress with respect to earlier years and to the average for 1960-1965, which was 5.0 per cent (see table 2). This acceleration of growth in the last two years brought the rate for the decade to 5.2 per cent, which is slightly above the rates for the two preceding decades.

The greater impetus in the years 1964-1969 seems to be closely associated with import and investment trends (see table 2).

The growth rate of imports, whose key importance among the components of aggregate supply needs no underlining, averaged about 8 per cent annually for this period, in marked contrast with the rate of 1.4 per cent in 1960-1965.

No less striking were the changes in investment, which grew by 10 per cent in the years 1968 and 1969, compared with the average annual rate of 4.3 per cent in 1960-1965.

Although not so rapid, the growth of exports was also satisfactory in 1969; the increase of 6.8 per cent in real terms compares favourably with the rate in 1968 and still more favourably with those in the two previous years. It must be borne in mind, however, a 9.7 per cent increase in the current value of exports, was due solely to higher prices.

The figures for consumption, both public and private, also show an increase, but without greatly altering the tempo in previous years or in the period 1960-1965.

Table 2

LATIN AMERICA: TOTAL SUPPLY AND DEMAND

	Millions of dollars at 1960 prices			Percentage annual growth rates		
	1960	1965	1969 a/	1960-1965	1968	1969 a/
Total supply	94 001	118 132	146 383	4.7	6.4	6.5
Gross domestic product	84 688	108 167	133 142	5.1	6.1	6.4
Imports of goods and services	9 313	9 965	13 241	1.4	9.0	6.8
Total demand	94 001	118 132	146 383	4.7	6.4	6.5
Exports of goods and services	9 461	11 914	14 244	4.7	5.3	6.8
Total investment	16 434	20 294	26 140	4.3	9.6	9.9
Total consumption	68 106	85 924	105 999	4.8	5.8	5.6
General government	8 319	10 107	12 141	4.0	4.5	4.5
Private	59 787	75 817	93 858	4.9	5.9	5.8

Source: ECLA, on de basis of official statistics.
a/ Preliminary figures.

Country trends

The over-all view conceals differences in country trends which in some cases may be significant. In general, the more dynamic picture in 1969 is due primarily to the trends of the relatively more developed economies, which in any case carry most weight in the regional balance because of their size. Thus Brazil, Argentina, Mexico and Colombia all registered growth rates that are over, or even well over, 6 per cent (see table 3).

The more vigorous growth in the past two years was not confined to this group. Some positive results were also obtained in the relatively less developed or smaller countries, such as Costa Rica and Panama, which maintained the impetus shown throughout almost the whole decade, and the Dominican Republic and Uruguay, whose economies took a sharp upturn in 1969.

Other countries, such as Peru, Bolivia and Venezuela, registered slower growth rates due to local circumstances, while Chile and Ecuador, failed to quicken their sluggish rate of growth of the last few years.

Salient features of main sectors of production

Basic services, construction and manufacturing were the sectors which contributed most to economic growth in 1969. This was the first year since 1962 that all sectors, with the possible exception of mining, showed relatively high growth rates which exceeded the average for the decade (see table 3).

Up to 1968 the only sectors that had grown fairly steadily were those connected with public investment, i.e., basic services and construction. Manufacturing and agricultural trends were cyclical, with a year of vigorous expansion followed by a contraction, and so on, the result being somewhat modest average growth rates of 4 to 5 per cent, which did not speed up until 1968.

The wide fluctuations in agriculture are mainly attributable to the changeable weather conditions which have affected different Latin American countries in different years but, at least in the case of foodstuffs, they may also be ascribed to a year's delayed reaction to fluctuations in the growth of urban income.

Table 3

LATIN AMERICA: ANNUAL GROWTH RATES OF THE GROSS DOMESTIC PRODUCT AT FACTOR COST

A. Total product

	1960-65	1966	1967	1968	1969 a/
Argentina	3.5	0.3	2.0	4.8	6.9
Bolivia	4.9	6.5	5.6	7.2	4.7
Brazil	4.5	5.1	4.8	8.3	9.0
Chile	5.0	7.0	2.3	2.7	3.0
Colombia	4.6	5.2	4.7	5.5	6.2
Costa Rica	6.3	8.2	6.7	7.8	7.6
Dominican Republic	1.0	12.4	3.3	3.1	7.0
Ecuador	4.4	4.5	4.8	4.4	4.4
El Salvador	6.9	4.7	4.3	3.6	3.1
Guatemala	5.3	5.5	4.1	5.6	5.2
Haiti	1.1	1.9	1.4	1.3	2.5
Honduras	5.3	6.8	5.8	4.9	3.2
Mexico	7.1	6.4	6.2	7.3	6.3
Nicaragua	8.1	3.1	5.3	5.0	3.3
Panama	8.3	7.4	8.4	7.3	8.6
Paraguay	4.8	0.6	6.1	4.5	5.1
Peru	6.6	6.3	5.0	1.4	1.7
Uruguay	0.9	3.2	-6.5	1.2	5.3
Venezuela	5.0	2.1	4.3	5.8	3.5
Latin America	5.1	4.5	4.3	6.1	6.4

B. Trends of the major economic sectors, 1969

(Percentage variations compared with 1968)

Country	Agri-culture	Mining	Manufacturing	Construction	Basic services	Other services
Argentina	5.9	5.7	7.3	13.7	6.6	6.1
Bolivia	3.9	-0.5	5.3	16.0	8.4	2.7
Brazil	6.0	12.0	10.8	7.3	11.5	8.8
Chile	-3.4	3.6	3.5	6.0	4.9	3.4
Colombia	4.6	14.0	7.5	9.0	4.5	6.1
Costa Rica	7.6	8.2	8.2	9.7	8.9	6.9
Dominican Republic	9.6	10.0	9.4	11.8	5.3	4.6
Ecuador	8.4	5.9	4.9	6.1	2.5	4.0
El Salvador	3.0	3.1	2.9	-1.2	4.0	4.0
Guatemala	4.0	-	5.6	7.7	7.5	5.4
Haiti	3.0	...	1.5	...	...	...
Honduras	-1.5	6.9	6.5	9.9	5.1	3.4
Mexico	2.2	4.9	7.8	7.5	8.0	6.5
Nicaragua	-1.5	1.4	10.2	10.4	7.1	2.6
Panama	6.0	104.8	12.1	9.4	10.5	7.6
Paraguay	3.1	138.1	5.5	10.0	8.2	5.2
Peru	0.4	2.7	1.9	-3.4	3.9	2.4
Uruguay	15.0	...	4.8 b/	-	7.4	2.9
Venezuela	4.0	0.8	4.4	-	8.3	4.4
Latin America	4.4	3.8	7.7	8.0	8.1	6.4

Source: ECLA, on the basis of official statistics.
a/ Provisional estimates.
b/ Including mining.

Manufacturing trends were basically affected by the conditions prevailing in Brazil and Argentina, whose important role in the principal branches of industry had a decisive influence on the over-all results for the region. Thus, the acçeleration of the growth rate of manufacturing since 1967 has been due essentially to the recovery and subsequent expansion of urban demand in those two countries. This in turn was mainly due to the sustained increase in public investment and the extension and expansion of credit. The new terms of financing benefited specifically the durable consumer goods industries and civil construction, which were the most dynamic sectors of the two economies in the last two years.

Mining output did not do more than maintain its moderate rate of growth, although it was favoured by international price increases in nearly all major products except petroleum.

Salient developments in the agricultural sector in 1969 were the recovery of livestock production in Argentina and of coffee in Brazil, and the effects of the prolonged drought in Chile.

The chief developments in mining were the sluggish growth rate of petroleum production in Venezuela, the decline in Bolivia's tin production, and the moderate growth of copper output in Chile.

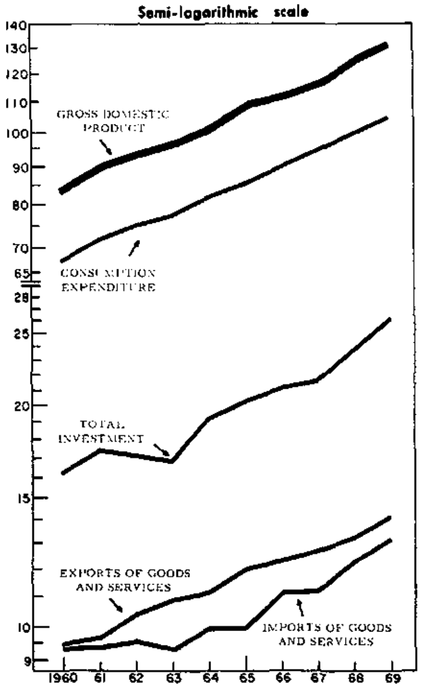
There was a slight tapering off in manufacturing compared with 1968 for the region as a whole, owing to trends in the major countries (Brazil, Argentina and Mexico), which, however, still maintain high rates of growth. In the medium-sized countries -Chile, Colombia and Uruguay- manufacturing grew faster than the previous year, and the same is true of the Dominican Republic, Nicaragua, Panama and Paraguay.

The construction boom continued in nearly all countries, the rate for the region as a whole (8 per cent) being the highest in the decade, and higher than that of any other sector in 1969.

LATIN AMERICA: COMPONENTS OF TOTAL SUPPLY AND DEMAND

(Thousands of millions of dollars at 1960 prices)

Semi-logarithmic scale



Inflationary pressures

On the whole, there was less tendency towards inflation in 1969; the increase in consumer prices was smaller in eleven countries and greater in eight, while in two countries it was the same as in 1968 (see table 4); it should be pointed out, however, that the figures given are annual averages and may therefore differ from those shown in the sections on individual countries, which are usually for December of each year, with emphasis on the comparison. Argentina, Peru, Trinidad and Tobago, and Uruguay stand out among the countries which managed to reduce the price increase the most and Chile and Colombia among those where the price increase was the greatest. Seen from another angle, the rise in prices was close to or more than 20 per cent in three countries -Brazil, Uruguay and Chile- between 5 and 10 per cent in Peru, Jamaica, Colombia, Ecuador and Argentina, and less than 5 per cent in the other countries.

Table 4

LATIN AMERICA: CHANGES IN THE CONSUMER PRICE INDEX

(Annual growth rates)a/

Country	1960-65	1966	1967	1968	1969
Argentina	23.2	31.8	29.5	16.4	7.6
Bolivia	5.1	7.1	11.6	5.2	2.8
Brazil	60.0	46.7	29.8	24.2	23.1
Chile	27.0	22.9	18.2	26.7	30.6
Colombia	12.4	19.7	8.2	5.7	10.2
Costa Rica	2.4	-	1.0	3.8	2.8
Dominican Republic	3.1	-	2.0	-	0.3b/
Ecuador	3.8	4.7	3.6	4.3	5.8
El Salvador	0.2	-1.0	1.0	2.9	-
Guatemala	0.4	1.0	-	2.0	2.0
Guyana	...	1.9	2.9	3.7	0.9
Haiti	3.7	8.0	-3.3	1.7	2.5
Honduras	2.8	1.9	-	4.5	3.5
Jamaica	2.9	1.9	2.8	6.4	6.0
Mexico	1.8	3.8	3.6	1.8	2.6
Nicaragua	1.6	2.8	2.7	...	...
Panama	1.0	-	1.0	1.9	1.9
Paraguay	5.3	2.8	0.9	0.9	1.8
Peru	9.4	9.3	9.9	19.4	5.9
Trinidad and Tobago	2.2	3.9	1.9	8.3	2.5
Uruguay	29.7	73.7	89.2	125.5	19.9
Venezuela	-	1.9	-	0.9	2.8

Source: IMF, International Financial Statistics.
a/ The changes are between annual averages in all cases.
b/ Based on data for ten months, compared with the same period the previous year.

External sector trends

For the second consecutive year international transactions showed considerable impetus, the growth rate in 1969 being estimated at not less than 14 per cent, which is higher than the rates achieved in 1964 and 1968 (around 12 per cent). Countries with industrialized economies, especially the EEC countries, Japan, the United States and the EFTA countries, including the United Kingdom, were responsible for the exceptional increase in world exports. The growth rate in these countries averaged about 16 per cent, the largest increments being in the EEC countries and Japan.

Thanks to the trade boom in the industrialized economies, exports from the developing regions grew at the same rate as in 1968, i.e., 8 per cent. The rate was about 10 per cent in Latin America, which means that exports rose almost twice as fast as the previous year (see table 5). Other contributing factors were the sustained increase in prices of certain basic products in the region, price recoveries in other products, and an increase in the volume of exports.

A comparison of the growth of industrialized countries and developing regions shows that the latter's share of the trade is still shrinking because they mainly export primary products, while trade in the developed areas is principally in manufactures. The developing areas must adapt themselves to this feature of present world trade if they do not wish their position to deteriorate still further.

The greater impetus in the region's external sales may be ascribed to the export boom in Brazil and Chile, the recovery in Argentina's exports (which exceeded the increase attained in 1966), the continued upward trend of exports from Mexico, Bolivia, Costa Rica and Panama, the upsurge in exports from Colombia, the Dominican Republic,

Table 5

LATIN AMERICA: EXPORTS AND IMPORTS, BY COUNTRY, 1968 AND 1969

(Millions of dollars at current prices)

Country	Exports				Imports				Percentage variation			
	Goods and services		Goods f. o. b.		Goods and services		Goods f. o. b.		Exports of goods		Imports of goods	
	1968	1969	1968	1969	1968	1969	1968	1969	1968	1969	1968	1969
Argentina	1 567.0	1 842.0	1 310.0	1 610.0	1 441.0	1 889.0	1 017.0	1 340.0	-6.6	17.6	6.7	31.8
Bolivia	170.2	179.0	157.1	165.7	202.6	216.9	161.5	172.8	1.2	5.4	6.4	7.0
Brazil	2 076.0	2 508.0	1 881.0	2 260.0	2 322.0	2 443.0	1 855.0	1 960.0	13.7	20.1	28.7	5.7
Colombia	778.0	812.0	609.0	641.0	862.0	941.0	615.0	667.0	9.1	5.2	32.5	8.5
Chile	1 029.0	1 268.0	904.0	1 127.0	954.0	1 066.0	730.0	830.0	3.7	24.7	3.0	13.7
Ecuador	225.1	202.7	210.7	185.0	277.7	263.0	212.7	201.0	4.8	-12.2	20.4	-5.5
Mexico	2 447.0	2 703.0	1 258.0	1 421.0	2 648.0	2 835.0	1 899.0	1 998.0	9.9	13.0	11.3	5.2
Paraguay	67.5	74.8	50.0	53.0	93.7	94.3	69.8	70.4	-0.6	6.0	13.5	0.9
Peru	963.0	997.0	846.0	867.0	854.0	835.0	663.0	655.0	12.1	2.5	-17.2	-1.2
Uruguay	240.2	262.0	179.2	201.0	195.5	234.0	145.6	176.0	12.1	12.2	-0.5	20.9
Venezuela	2 635.0	2 629.0	2 475.0	2 455.0	2 050.0	2 181.0	1 565.0	1 649.0	0.5	-0.1	17.0	5.4
Dominican Republic	198.1	218.7	163.5	180.0	258.7	266.4	196.8	203.0	4.4	10.1	13.0	3.1
Haiti	47.4	49.3	36.3	37.5	54.8	56.2	38.7	39.8	12.3	3.3	-4.0	2.8
Panama	323.0	371.5	116.5	137.0	312.3	347.1	246.0	270.6	6.7	17.6	5.9	10.0
Costa Rica	205.8	229.1	173.7	195.0	236.9	258.2	191.3	210.0	21.2	12.3	10.1	9.8
El Salvador	235.5	221.9	212.5	200.0	250.6	253.5	198.8	202.5	2.2	-5.9	-3.3	1.8
Guatemala	266.7	287.0	232.8	250.0	295.8	311.3	237.0	250.0	14.2	7.4	4.6	5.5
Honduras	196.5	185.0	180.9	170.7	204.3	206.3	169.4	173.0	16.0	-5.6	11.1	2.1
Nicaragua	193.8	183.1	161.0	151.3	216.4	205.7	165.2	155.5	8.9	-6.0	-4.1	-5.9
Total Latin America (excluding Cuba)	13 864.0	15 223.1	11 215.2	12 307.2	13 730.3	14 902.9	10 376.8	11 223.6	5.5	9.7	11.3	8.2
Total Latin America (excluding Cuba and Venezuela)	11 229.0	12 594.1	8 740.2	9 852.2	11 680.3	12 721.9	8 811.8	9 574.6	6.9	12.7	10.3	8.7

Source: International Monetary Fund, Balance of Payments Yearbook, vol. 21 and ECLA estimates.

Table 6

LATIN AMERICA: BALANCE OF PAYMENTS, 1968 AND 1969

(Millions of dollars at current prices)

	Goods and services trade balance		Net payments of profits and interest on foreign capital		Net private transfer payments		Balance on current account		Balance-of-payments position before compensatory financing	
	1968	1969	1968	1969	1968	1969	1968	1969	1968	1969
Argentina	126.0	-47.0	-141.0	-154.0	-2.0	-2.0	-17.0	-203.0	144.0	-110.0
Bolivia	-32.4	-37.9	-22.2	-21.8	0.1	1.0	-54.5	-58.7	-0.2	-6.3
Brazil	-246.0	65.0	-279.0	-290.0	5.0	12.0	-520.0	-213.0	4.0	561.0
Colombia	-84.0	-129.0	-113.0	-130.0	3.0	0.0	-194.0	-259.0	44.0	55.0
Chile	75.0	202.0	-221.0	-237.0	6.0	7.0	-140.0	-28.0	115.0	112.0
Ecuador	-52.6	-60.3	-27.1	-27.4	4.7	4.9	-75.0	-82.8	-11.3	-2.4
Mexico	-201.0	-132.0	-551.0	-610.0	13.0	10.0	-739.0	-732.0	71.0	53.0
Paraguay	-26.2	-19.5	-5.1	-7.0	2.5	2.6	-28.8	-23.9	-0.3	-1.5
Peru	109.0	162.0	-113.0	-126.0	8.0	8.0	4.0	44.0	-71.0	-67.0
Uruguay	44.7	28.0	-22.7	-23.2	0.1	0.5	22.1	5.3	35.0	17.0
Venezuela	585.0	448.0	-703.0	-708.0	-103.0	-100.0	-221.0	-360.0	65.0	11.0
Dominican Republic	-60.6	-47.7	-19.0	-23.5	8.9	7.0	-70.7	-64.2	7.1	-1.1
Haiti	-7.4	-6.9	-3.1	-3.5	8.9	9.0	-1.6	-1.4	3.7	2.1
Panama	10.7	24.4	-25.5	-30.0	-6.1	-6.0	-20.8	-11.6	...	...
Costa Rica	-31.1	-29.1	-17.8	-19.2	4.6	4.5	-44.3	-43.8	9.0	21.1
El Salvador	-15.1	-31.6	-8.2	-9.5	6.0	6.0	-17.3	-35.1	1.0	5.0
Guatemala	-29.1	-24.3	-31.9	-36.0	9.0	13.0	-52.0	-47.3	-4.0	5.8
Honduras	-7.8	-21.3	-23.1	-20.4	3.0	3.0	-27.9	-38.7	5.5	-4.6
Nicaragua	-23.4	-22.6	-24.7	-24.9	2.9	3.2	-45.2	-44.3	1.2	-1.7
Total Latin America (excluding Cuba)	133.7	320.2	-2 351.3	-2 501.4	-25.4	-16.3	-2 243.0	-2 197.5	418.7	648.4
Total Latin America (excluding Cuba and Venezuela)	-451.3	-127.8	-1 648.3	-1 793.4	77.6	83.7	-2 022.0	-1 837.5	353.7	637.4

Source: For 1968, International Monetary Fund, Balance of Payments Yearbook, vol. 21; for 1969, ECLA estimates.

Uruguay, Guatemala and Peru, and certain improvements in sales by Paraguay and Haiti. This was achieved despite the decline in exports from Ecuador, Nicaragua, Venezuela, El Salvador and Honduras, the last two as a result of a border dispute.

The favourable export trends combined with a sustained net inflow of funds -particularly short-term capital- enabled imports to grow for the second consecutive year at a high rate of 8 per cent (and 11 per cent in 1968). These rates are the highest in the decade, and thus helped to reactivate Latin America's economic growth (see table 5).

With the exception of Peru and Nicaragua, whose imports declined for the second year in succession, and Ecuador, which after a considerable increase in 1968 reduced its external purchases in 1969 though still maintaining them at a fairly high level, the Latin American countries stepped up their imports in 1969. The most significant increases were in Argentina (32 per cent), Uruguay (21 per cent), Chile (14 per cent), Panama (10 per cent), Costa Rica (9.8 per cent) and Colombia (8.5 per cent). The rest of the countries showed increases below the regional average, although in Brazil they again reached a very high level.

The greater increase in exports than in imports led to an improvement in the trade balance thanks to which it was possible to offset a further rise in external factor payments and to bring down the balance-of-payments deficit on current account from 2 250 to 2 200 million dollars. These are the highest values since 1950, and they also entail high external financing, particularly as the balance of payments before compensation closed with a larger deficit in 1969 than the previous year, i.e., 650 compared with 420 million dollars (see table 6).

The trade balance, which in 1968 showed a surplus in only six countries, was the same as in 1969, although the position of the various countries altered somewhat. Argentina, with its high level of imports in the past year, presented a deficit for the first time since 1963, and Brazil showed a surplus following a deficit in the two previous years. There were no changes in the remaining countries except in the size of the surplus or deficit. The trade surpluses in Chile, Peru and Panama improved, while those in Uruguay and Venezuela declined. Among the countries with continuing trade deficits in 1969, Bolivia, Colombia, Ecuador, El Salvador and Honduras showed increases, while the remainder improved their position.

Except for Bolivia and Honduras, the Latin American countries recorded an increase in net remittances of profits and interest on foreign capital.

The trends followed by the trade balance and factor payments had an impact on the balance on current account and on the size of the external deficit. Only two countries -Peru and Uruguay- maintained a current external surplus, the position improving in the former and deteriorating in the latter compared with 1968. In the countries with a current external deficit, a large increase was recorded in Argentina, and smaller ones in El Salvador, Honduras, Ecuador, Bolivia, Colombia and Venezuela. Brazil and Chile showed substantial reductions, while Mexico, Paraguay, Panama, Dominican Republic, Costa Rica, Guatemala and Nicaragua either reduced their deficits or did not increase them.

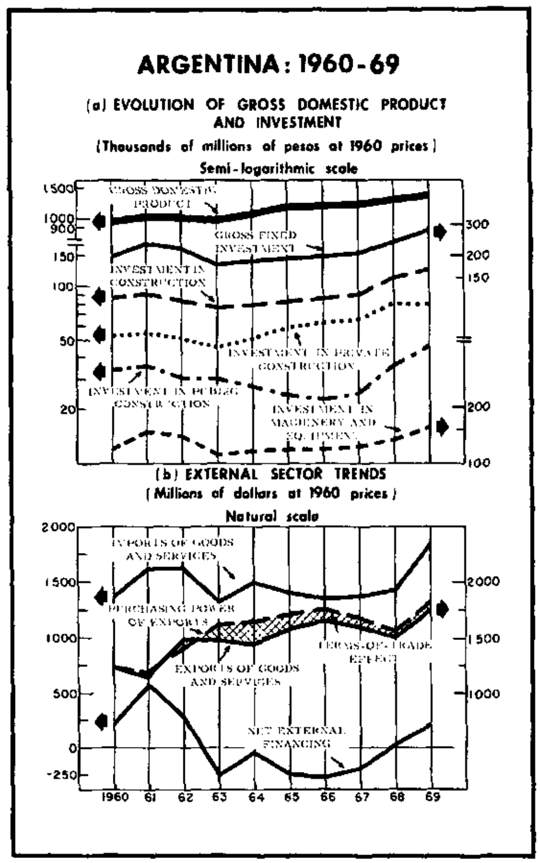
The algebraical sum of the balances on current account and on the balance of payments before compensatory financing provides a yardstick for measuring the net inflow of non-compensatory capital, including errors and omissions, over the last two years. In 1968, thirteen Latin American countries had a balance-of-payments surplus before compensatory financing, which improved the net position of the monetary authorities. The surpluses were very substantial in Argentina, Chile, Mexico, Venezuela, Colombia and Uruguay, and smaller in Brazil, Haiti, Panama, the Dominican Republic, Costa Rica, El Salvador, Honduras and Nicaragua. In the five remaining countries -Bolivia, Ecuador, Paraguay, Peru and Guatemala- there were deficits before compensatory financing, although such financing was severely limited in Peru, where the outflow of capital and the diminution of the foreign exchange reserves made it necessary to re-finance the external debt. In 1969, there was a surplus before compensatory financing in only ten countries; the largest surplus was in Brazil, which increased its net foreign exchange reserves by 560 million dollars, smaller in Chile, Colombia, Mexico, Costa Rica, Uruguay and Venezuela, and very much smaller in Haiti, El Salvador and Guatemala. On the other hand, the net position of the monetary authorities of six countries showed a deficit or a deterioration: they are Argentina, where there was a heavy slump, and on a smaller scale, the Dominican Republic, Honduras and Nicaragua. Bolivia and Peru also suffered a deterioration of their net position, despite the fact that the latter country had a large external surplus on current account, reflecting a sustained outflow of capital.

The net inflow of non-compensatory capital, including errors and omissions, hardly changed between 1968 and 1969 -from 2 700 to 2 800 million- although this figure is the highest since 1950. In both years, Mexico had the largest deficit on external current account of all the countries, and it also improved its net foreign exchange reserves position: the net inflow of non-compensatory capital to Mexico was of the order of 800 million dollars, the next highest amount being received by Brazil (400 and 800 million dollars in 1968 and 1969, respectively). The net income of Venezuela, Colombia and Chile for both years fluctuated between 150 and 350 million dollars. In Argentina, the net inflow of capital fell by about 160 million to less than 100 million dollars. Apart from Peru, where there was a net disinvestment of non-compensatory capital, and Paraguay, Panama and Haiti, where net inflows of capital decreased, capital inflows were larger or were maintained at high levels in the Latin American countries.

B. Economic trends by countries*

Argentina

In 1969, Argentina's gross domestic product increased by 6.9 per cent, which compares favourably with the rate of the preceding three years. This growth was the consequence of an almost 15 per cent increase in gross fixed investment and of a steady increase in consumption at a rate of 5 per cent (see table 7). The growth of investment is a reflection of the expansion of construction, public expenditure and exports. In addition, the cost-of-living index rose by 6.7 per cent, which was less than in 1968 and less than the average for the period 1960-1967. In contrast to this relative boom, international reserves shrank by 260 million dollars, as the current value of imports rose by 32 per cent and short-term private capital was taken out of the country as a precautionary measure.



Real industrial wages rose by 2 per cent over 1968, although still remaining 1.4 per cent below their 1966 level and 1.9 per cent below their 1967 level. The production of goods increased by an average of 7.4 per cent. Agricultural output, which had declined in 1968, increased by 5.9 per cent as a result of the recovery of both crop and stock farming. The agricultural census conducted in 1969 -which excludes the Patagonian provinces- shows that, compared with 1960, there had been increases in the number of farm units (16.9 per cent) and the area farmed, both total and per unit (19.4 and 2.2 per cent respectively), and also in inventories of cattle and poultry. In addition, the area sown with annual crops rose from 12.3 to 15.9 million hectares during the period concerned. Mining and quarrying activities expanded by 5.7 per cent, mainly as a result of demand from the construction sector, since crude petroleum production increased by only 3.6 per cent.

The industrial product grew by 7.3 per cent, owing to improved use of installed capacity. Worthy of special mention is the increased production of equipment and machinery, motor vehicles and consumer durables. Crude steel production, in particular, grew by 9 per cent, to supply inputs for the above activities and also for construction. The construction industry grew by 13.7 per cent, mainly as result of the growth of public investment, which expanded by 26.5 per cent.

The growth in the supply of goods inevitably led to an expansion of services, which increased by 6.2 per cent. Commerce, which was the most active of the services sectors, grew by 9.2 per cent and progress was made in modernizing the retail trade.

* The estimates for 1969 were based on data available up to 28 February 1970; they are therefore provisional and subject to revision as and when new figures are issued by the Governments. Cuba has not been included in the country studies because the data were insufficient or not comparable with those of other countries.

Table 7

ARGENTINA: TOTAL SUPPLY AND DEMAND

	Thousand of millions of pesos at 1960 prices				Percentage structure				Annual growth rates (percentages)		
	1960	1965	1968	1969	1960	1965	1968	1969	1960-65	1965-68	1969
Total supply	1 075.3	1 259.3	1 340.8	1 452.1	111.9	110.2	109.4	110.8	3.2	2.1	8.3
Gross domestic product	961.2	1 142.9	1 225.5	1 310.1	100.0	100.0	100.0	100.0	3.5	2.3	6.9
Imports	114.1	116.4	115.3	142.0	11.9	10.2	9.4	10.8	0.4	-0.3	23.2
Total demand	1 075.3	1 259.3	1 340.8	1 452.1	111.9	110.2	109.4	110.8	3.2	2.1	8.3
Exports	102.5	134.2	135.6	158.4	10.2	11.7	11.1	12.1	5.5	0.3	16.8
Total investment	218.3	217.6	234.6	274.0	22.7	19.0	19.1	20.9	-0.1	2.5	16.8
Gross fixed investment	208.6	198.0	240.1	275.6	21.7	17.3	19.6	21.0	-1.1	6.6	14.8
Construction	67.3	81.9	108.6	121.8	9.1	7.2	8.9	9.3	-1.3	9.9	12.1
Public	34.1	23.9	35.1	44.4	3.5	2.1	2.9	3.4	-8.6	13.7	26.5
Private	53.2	58.0	73.5	77.4	5.6	5.1	6.0	5.9	1.8	8.3	5.3
Machinery and equipment	121.3	116.1	131.5	153.8	12.6	10.1	10.7	11.7	-0.9	4.2	16.9
Total consumption	754.5	907.5	970.6	1 019.7	78.5	79.4	79.2	77.8	3.8	2.3	5.0
General government	86.3	86.6	92.8	93.4	9.0	7.6	7.6	7.1	0.1	2.3	0.7
Private	668.2	820.9	877.8	926.3	69.5	71.8	71.6	70.7	4.2	2.3	5.5

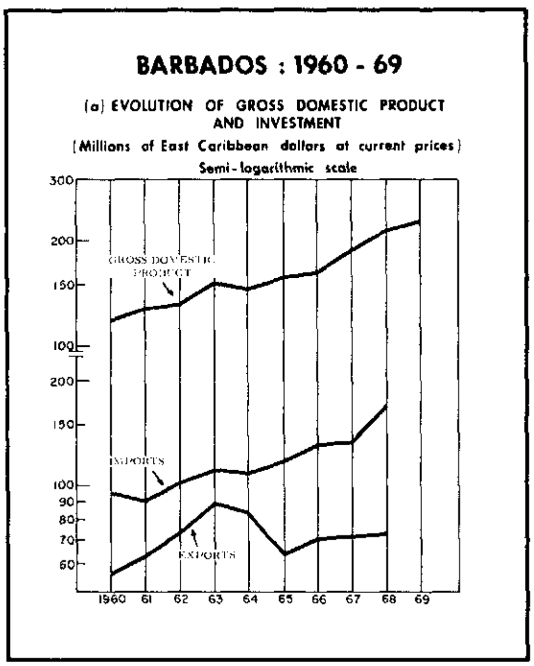
Source: For 1960-1968, information provided by the Central Bank of Argentina; for 1969, ECLA, on the basis of data supplied by the Ministry of Economic Affairs and Labour.

The 15 per cent rise in gross fixed investment was due in the main to public works, which included the beginning of the construction of 1 100 kilometres of roads and the Chocón-Cerros Colorados engineering project; in addition, the under-river tunnel linking Paraná and Santa Fe was inaugurated.

The growth of private investment was made possible by the availability of domestic financial resources and credit facilities for imports of equipment.

In the external sector, gross international reserves shrank by 260 million dollars. There was a trade surplus of 70 million dollars -less than in 1968- and this was not sufficient to offset the deficit on services account (see tables 5 and 6). In addition, the events of May provoked outflows of short-term capital which also had the effect of reducing international reserves.

Barbados



In 1969, the Barbados economy maintained its upward trend in real terms. Measured at current prices, the product grew 9.3 per cent annually in the period 1965-1967; 14.5 per cent in 1968 and about 6 per cent in 1969 (see table 8). The decline in the importance of the sugar industry (its share of the total product fell from 20 to 13 per cent between 1960 and 1968) reduced the influence of a factor that had produced violent fluctuations in the product from year to year. The over-all price index rose by 4.5 per cent, after rising by 10 per cent in 1968 as a consequence of the currency devaluation in late 1967.

Manufacturing, which as a whole has kept pace with the growth of the total product, continued to diversify, although its dependence on the construction sector increased. Sugar production continued to decline, falling from 210 000 tons in 1967 to 138 000 in 1969; in contrast, the remainder of agricultural production, which is of much less significance, expanded steadily during the period 1966-1969 at a rate close to that of the total product. Since 1965, the highest rates of growth have been in the commerce, transport, government and public utilities sectors.

In recent years, current export earnings have grown at a slow pace (2.8 per cent in 1968); and in fact exports proper have decreased, the increase coming from re-exports, which account for one-third of total exports. The decline has occurred mainly in exports of foodstuffs, beverages and tobacco, which make up almost two-third of the total; while there have been notable increases in exports of fuels, chemicals, machinery and equipment. Imports, in contrast, grew by more than 25 per cent in 1968, in East Caribbean dollars at current prices with a comparatively greater increase in imports of fuels and goods for re-export.

The difference in the rates of growth between the value of exports and that of imports in 1969 resulted in a trade deficit estimated at approximately 130 million East Caribbean dollars, to a large extent offset by increased income from tourism, which rose from 29 million East Caribbean dollars in 1966 to 54 million in 1968, and was expected to amount to 65 million in 1969.

Table 8

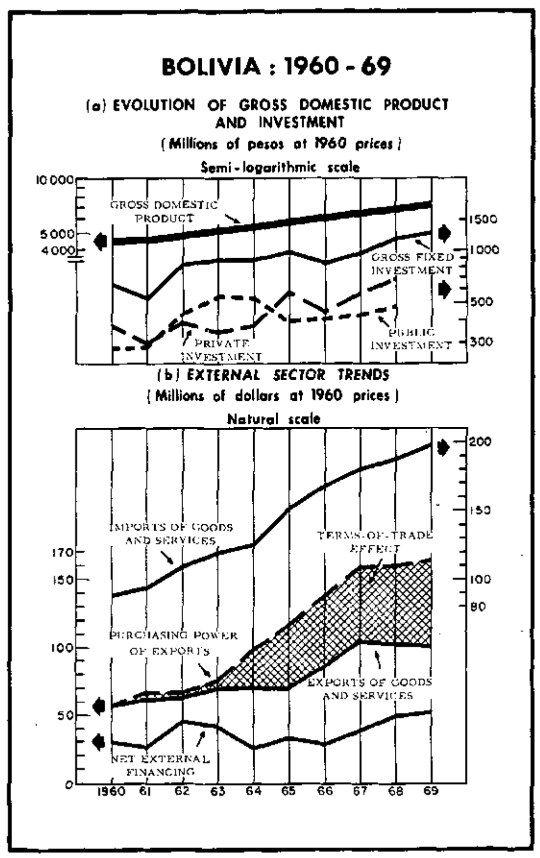
BARBADOS: GROSS DOMESTIC PRODUCT AT FACTOR COST BY ECONOMIC SECTOR, 1965-1969

	Millions of East Caribbean dollars at current prices				Growth rates (percentages)		
	1965	1967	1968 a/	1969 a/	1965-67	1968 a/	1969 a/
Sugar	31.5	35.1	28.6	25.0	5.6	-18.5	-12.6
Other agriculture	9.9	12.7	13.1	...	13.3	3.1	...
Manufacturing and mining	16.2	18.6	21.0	...	7.2	12.9	...
Construction	14.9	16.4	20.0	...	4.9	22.0	...
Distribution	35.6	39.2	50.0	55.0	4.9	27.6	10.0
Transport and public utilities	9.0	14.6	18.2	...	27.3	24.7	...
Rentals	6.5	7.3	8.0	...	6.0	9.6	...
Services	17.0	19.5	27.8	38.0	7.1	42.6	36.7
Government	17.6	25.8	30.0	34.0	21.0	16.3	13.3
Total	158.2	189.2	216.7	230.0	9.3	14.5	6.1

Source: Economic Survey, Barbados, 1969, and ECLA on the basis of official data.
a/ Preliminary estimates.

Bolivia

In 1969, the gross domestic product of Bolivia grew by 4.7 per cent, a decline compared with rates of 6.4 per cent for the previous three years and 4.9 per cent for the period 1960-1965 (see table 9). The sectors which gave impetus to the over-all growth rate were manufacturing, construction and basic services, while agriculture and other services remained below the average and mining declined slightly in absolute terms, owing to the drop in petroleum output. Measured in terms of real income, the growth rate was 5.2 per cent, as a result of the favourable export price trends. Fixed investment grew by 5.3 per cent, stimulated by the highway programme and the construction of ore smelters and electric power plants; consumption grew at roughly the same rate as the product.



Agricultural production grew by 3.9 per cent in 1969 as a result of improved unit yields, reflecting favourable weather conditions, a greater use of fertilizers and the dissemination of improved techniques. The increase in agricultural production covered nearly all crops and regions of the country. In contrast, the livestock industry grew slowly, but is expected to revive under the stimulus of the external credits received to develop the industry in the Beni region and the llanos of the South.

Manufacturing grew by a little over 5 per cent, a lower rate than in previous years. Contributory factors were the sluggish expansion in oil refining, which account for 13 per cent of the product of the sector, and the measures affecting

Table 9

BOLIVIA: TOTAL SUPPLY AND DEMAND

	Millions of pesos at 1960 prices				Percentage structure				Annual growth rates (percentages)		
	1960	1965	1968	1969	1960	1965	1968	1969	1960-65	1965-68	1969
Total supply	5 551.0	7 476.9	9 120.5	9 557.5	123.9	131.5	133.0	133.1	6.1	6.8	4.8
Gross domestic product	4 479.0	5 687.8	6 858.2	7 180.5	100.0	100.0	100.0	100.0	4.9	6.4	4.7
Imports of goods and services	1 072.0	1 789.1	2 262.3	2 377.0	23.9	31.5	33.0	33.1	10.8	8.1	5.1
Total demand	5 551.0	7 476.9	9 120.5	9 557.5	123.9	131.5	133.0	133.1	6.1	6.8	4.8
Exports of goods and services	726.0	884.3	1 302.5	1 281.1	16.2	15.6	19.0	17.8	4.0	13.8	-1.6
Total investment	675.0	1 125.4	1 225.8	1 370.4	15.1	19.8	17.9	19.1	10.7	2.9	11.8
Gross fixed investment	637.0	971.0	1 171.8	1 233.9	14.2	17.1	17.1	17.2	8.8	6.5	5.3
Private	362.0	573.6	694.3	...	8.1	10.1	10.0	...	9.6	6.6	...
Public	275.0	397.4	477.5	...	6.1	7.0	7.1	...	7.6	6.3	...
Total consumption	4 150.0	5 467.2	6 592.2	6 906.0	92.6	96.1	96.1	96.2	5.7	6.4	4.8
General government	387.0	607.7	683.1	724.1	8.6	10.7	10.0	10.1	9.4	4.0	6.0
Private	3 763.0	4 859.5	5 909.1	6 181.9	84.0	85.4	86.1	86.1	5.2	6.7	4.6

Source: 1960-1967: ECLA estimates based on data supplied by the Planning Office; 1968-1969: ECLA estimates.

import facilities which specially benefited factory enterprises. The construction sector continued to expand at a high rate (16 per cent), though lower than in recent years. This trend is due to the steady volume of public investment in the construction of highways and electric power plants, together with the continuing expansion of housing construction.

Exports of goods declined in volume compared with 1968, but their value increased by 5.4 per cent as a result of favourable international prices. In contrast, imports of goods, measured at current prices, rose by 7 per cent, in spite of the increases in customs duties. The increased trade deficit went hand in hand with an increase in remittances of profits and interest abroad, and both these trends combined to account for the growth of the balance-of-payments deficit on current account, which rose from 54.5 million dollars in 1968 to 58.7 million in 1969 (see tables 5 and 6).

The net inflow of non-compensatory capital proved insufficient to finance the deficit. The result of all inflows was a decline in the net position of the monetary authorities, and hence recourse was had to IMF stand-by loans.

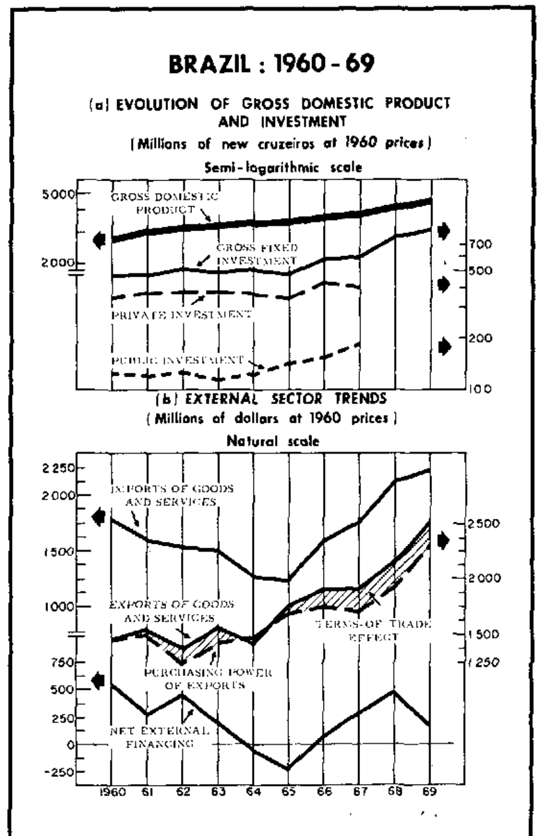
Brazil

In 1969 the Brazilian economy grew at an estimated rate of 9 per cent, thus continuing the accelerated expansion begun in 1968. A number of features contrast this economic growth with that achieved the year before, namely, 8.3 per cent (see table 10).

First, the expansion of manufacturing at an over-all rate of 10.8 per cent, which was lower than in 1968 (13.2 per cent) is basically attributable to a 34.5 per cent increase in the motor-vehicle industry, which carried with it the allied metal-transforming sectors, albeit at a much slower pace. In constrast, the manufacturing sectors producing consumer goods for the home market on the whole showed a much smaller increase than in 1968. Civil construction grew at a slower pace, but maintained a relatively high rate of increase (7.3 per cent).

Agriculture also followed a completely different trend from the year before, with an upsurge in the production of coffee (about 30 per cent) which alone accounted for the 2 per cent increase in the agricultural growth rate (6 per cent).

The external sector continued to play a very dynamic part, in both commodity and financial terms. Dollar earnings for exports of goods increased by about 20 per cent, and the value of imports by approximately 6 per cent. The most important imports were capital goods, which continued to increase by 20 per cent as in the previous year. There was a considerable movement of foreign capital, the result being a net inflow of some 800 million dollars. This easily exceeded the deficit of 213 million dollars in current transactions. Thus Brazil's external accounts resulted in a net increase of about 500 million dollars in its international reserves (see tables 5 and 6).



The comfortable position which the recent balance-of-payments trends have gradually brought about not only increased the economy's already ample liquidity but also helped to maintain an increasing volume of domestic financing for investment and, in particular, for consumption of durable goods, which is clearly the most buoyant component of over-all demand.

Table 10

BRAZIL: TOTAL SUPPLY AND DEMAND

	Millions of cruzeiros at 1960 prices				Percentage structure				Annual growth rates (percentages)		
	1960	1965	1968	1969	1960	1965	1968	1969	1960-65	1965-68	1969
Total supply	2 958.3	3 577.2	4 343.4	4 720.2	107.4	104.1	106.0	105.7	3.9	6.7	8.7
Gross domestic product	2 755.5	3 434.7	4 097.0	4 465.7	100.0	100.0	100.0	100.0	4.5	6.1	9.0
Imports of goods and services	202.8	142.5	246.4	254.5	7.4	4.1	6.0	5.7	-8.7	20.0	3.3
Total demand	2 958.3	3 577.2	4 343.4	4 720.2	107.4	104.1	106.0	105.7	3.9	6.7	8.7
Exports of goods and services	166.8	196.0	245.3	287.3	6.1	5.7	6.0	6.4	3.3	7.8	17.1
Total investment	507.5	621.5	754.2	874.4	18.4	18.1	18.4	19.6	4.1	6.7	15.9
Gross fixed investment	466.6	488.4	756.2	814.4	16.9	14.2	18.4	18.2	0.9	15.7	7.7
Private	340.1	341.7	...	...	12.3	9.9	...	...	0.1	9.7 a/	...
Public	126.5	146.7	...	...	4.6	4.3	...	...	3.0	12.7 a/	...
Total consumption	2 284.0	2 759.7	3 343.9	3 558.5	82.9	80.3	81.6	79.7	3.9	6.6	6.4
General government	366.7	394.3	442.0	467.6	13.3	11.5	10.8	10.5	1.5	3.9	5.8
Private	1 917.3	2 365.4	2 901.9	3 090.9	69.6	68.9	70.8	69.2	4.3	7.0	6.5

Source: 1960-1967: ECLA estimates based on data supplied by the Getulio Vargas Foundation; 1968-1969: ECLA estimates.

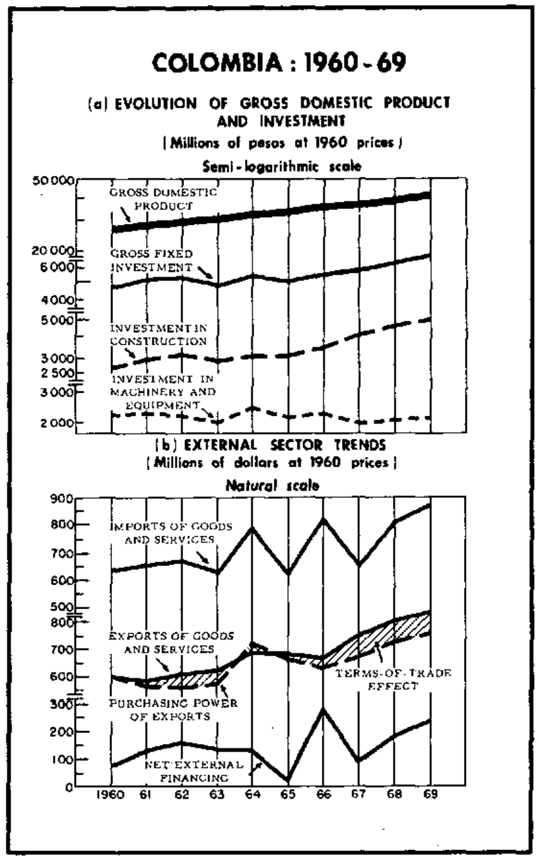
Note: The figures for Brazil's gross domestic product differ from those used in previous Economic Surveys because they are based on the new series published by the Getulio Vargas Foundation for the period 1947-1967. The new figures were converted to dollars at a rate of 0.12628 new cruzeiros (at 1960 prices) per dollar and included in the totals for Latin America.

a/ For the period 1965-1967.

In the public sector there was once again a sharp upturn in fiscal income, especially tax revenue, and a somewhat smaller expansion of expenditure, which for the first time in many years made it possible to close the accounts with an insignificant deficit. Price increases were only slightly less steep than in 1968, with a 21.4 per cent rise in the general price index and 24 per cent in the cost-of-living index in the state of Guanabara. Lastly, the most unfavourable aspect of the recent trends is still the deterioration in the real minimum wage, which is representative of the average remuneration of the urban unskilled wage-earning groups. There is also stagnation in average wages and salaries in industry, in spite of the high employment levels in urban activities.

Colombia

Colombia's gross domestic product grew by slightly over 6 per cent, which compares favourably with the average for the period 1960-68. Imports also rose, which reflects a greater supply of goods and services and relatively large increases in consumption and investment (see table 11).



The growth of the product was influenced by the accelerated expansion of manufacturing (7.5 per cent), which exceeds the average since 1960. This expansion is linked with petroleum refining and a credit policy giving priorities to this sector, including the allocation of special resources to small- and medium-scale enterprises. The policy also provides for preferential fiscal treatment and measures to encourage direct investment.

In the agricultural sector, an increase is recorded in commodities for home consumption but export production remained static. Coffee output, for example, totalled 8 million sacks, similar to the volume in 1968 and slightly more than the average for 1960-67. Mining grew by 14 per cent with the entry into production of new oilfields in the River Putumayo region, but the production of precious metals declined slightly.

The firmer world coffee prices influenced the 4.4 per cent rise in earnings from exports of goods and services, which amounted to 812 million dollars; another contributing factor was the higher value of non-traditional exports -over 200 million dollars- and of petroleum exports. Imports continued to rise, but at a rate of only 9 per cent compared with 33 per cent in 1968 (see tables 5 and 6). Since it was higher than the growth rate of exports, however, the result was a larger supply of goods and services than that deriving from the increase in the product. Thus, consumption and investment rose by 6.7 and 7.5 per cent respectively, influenced mainly by the growth of private consumption and of investment in construction. At the same time, the expansion of total supply helped to keep price increases within reasonable limits (around 5.6 per cent compared with 6.5 per cent in 1968).

Table 11

COLOMBIA: TOTAL SUPPLY AND DEMAND

	Millions of pesos at 1960 prices				Percentage structure				Annual growth rates (percentages)		
	1960	1965	1968	1969	1960	1965	1968	1969	1960-1965	1965-1968	1969
Total supply	30 907.3	37 738.4	44 316.6	47 115.3	115.6	112.1	113.7	113.8	4.1	5.5	6.3
Gross domestic product	26 746.7	33 659.8	38 983.4	41 400.4	100.0	100.0	100.0	100.0	4.6	5.1	6.2
Imports of goods and services	4 160.6	4 078.6	5 333.2	5 714.9	15.6	12.1	13.7	13.8	-0.4	9.4	7.2
Total demand	30 907.3	37 738.4	44 316.6	47 115.3	115.6	112.1	113.7	113.8	4.1	5.5	6.3
Exports of goods and services	4 163.9	4 802.2	5 704.1	5 874.4	15.6	14.3	14.6	14.2	2.9	5.9	3.0
Total investment	5 494.8	6 005.8	7 163.6	7 700.2	20.5	17.8	18.4	18.6	1.8	6.1	7.5
Gross fixed investment	4 844.9	5 158.3	6 426.2	6 925.9	18.1	15.3	16.5	16.7	1.3	7.6	7.8
Construction	2 697.1	3 034.0	4 384.2	4 822.6	10.1	9.0	11.3	11.6	2.4	13.1	10.0
Machinery and equipment	2 147.8	2 124.3	2 042.0	2 103.3	8.0	6.3	5.2	5.1	-0.2	-1.3	3.0
Total consumption	21 248.6	26 930.4	31 448.3	33 540.7	79.4	80.0	80.7	81.0	4.9	5.3	6.7
General government	1 659.3	2 161.2	2 470.4	2 484.0	6.2	6.4	6.3	6.0	5.4	4.6	0.6
Private	19 589.3	24 769.2	28 978.5	31 056.7	73.2	73.6	74.4	75.0	4.8	5.4	7.2

Source: 1960-1968: ECLA estimates on the basis of data supplied by the Banco de la República de Colombia; 1969: ECLA estimates.

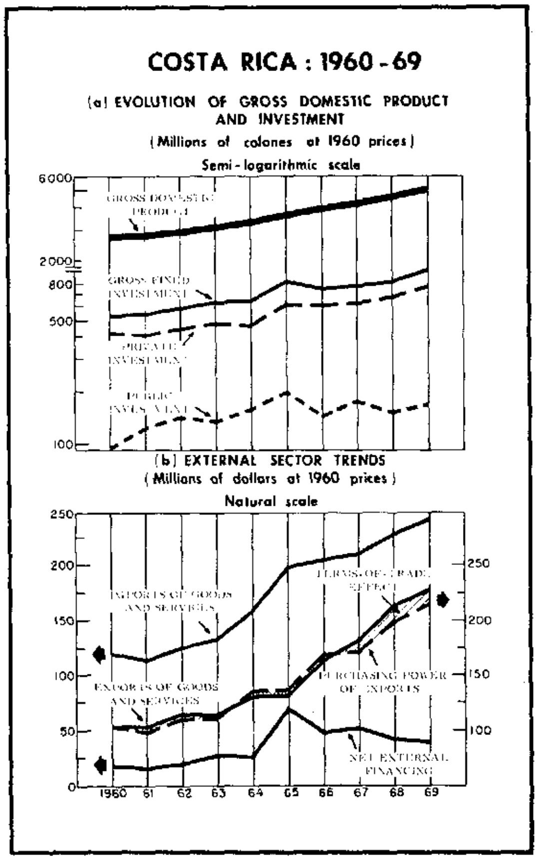
Table 12

COSTA RICA: TOTAL SUPPLY AND DEMAND

	Millions of colones at 1960 prices				Percentage structure				Annual growth rates (percentages)		
	1960	1965	1968	1969	1960	1965	1968	1969	1960-1965	1965-1968	1969
Total supply	3 515.5	4 997.4	6 092.2	6 544.2	127.1	132.9	130.1	130.0	7.3	6.8	7.4
Gross domestic product	2 766.7	3 761.2	4 681.3	5 035.5	100.0	100.0	100.0	100.0	6.3	7.6	7.6
Imports of goods and services	748.8	1 236.2	1 410.9	1 508.7	27.1	32.9	30.1	30.0	10.5	4.5	6.9
Total demand	3 515.5	4 997.4	6 092.2	6 544.2	127.1	132.9	130.1	130.0	7.3	6.8	7.4
Exports of goods and services	612.6	771.5	1 252.8	1 338.9	22.2	20.5	26.8	26.6	4.7	17.5	6.9
Total investment	530.5	1 019.9	918.3	1 020.2	19.2	27.1	19.6	20.3	14.0	-3.4	11.1
Gross fixed investment	524.6	804.5	821.9	942.3	19.0	21.4	17.6	18.7	8.9	0.7	14.6
Private	426.1	608.2	671.4	775.7	15.4	16.2	14.4	15.4	7.4	3.3	15.5
Public	98.5	196.3	150.5	166.6	3.6	5.2	3.2	3.3	14.8	-8.5	10.7
Total consumption	2 372.4	3 206.0	3 921.1	4 185.1	85.7	85.2	83.7	83.1	6.2	6.9	6.7
General government	313.5	437.4	523.2	559.5	11.3	11.6	11.2	11.1	6.9	6.2	6.9
Private	2 058.9	2 768.6	3 397.9	3 625.6	74.4	73.6	72.5	72.0	6.1	7.1	6.7

Source: ECLA estimates.

Costa Rica



Although the stimulus which the external sector has been giving to the economy is tending to weaken, the gross domestic product continued to increase in 1969 as rapidly -by 7.6 per cent- as in the previous five years; the per capita rate is 4 per cent (see table 12).

Agricultural production grew by approximately 8 per cent in 1969, thus continuing the favourable trend of 1968. The most significant increase was in production for export, since production for the home market declined by 3.6 per cent, as a result of bad weather conditions. Manufacturing output also increased considerably (8.2 per cent), although less rapidly than in 1968. This tapering off was due to the more sluggish growth of consumption (6.7 per cent) and the difficulties which affected sales to the Central American market during the year. The installation of new plants continued and the production of intermediate goods, electrical appliances and textiles was consolidated through the continued provision of credit and fiscal incentives.

The public sector deficit increased in 1969, and its current income grew more slowly than expenditure. This bottleneck has given rise to a backlog of unsatisfied needs and the fiscal deficit of the central government was 25 per cent higher than in 1968.

The balance-of-payments deficit on current account amounted to some 44 million dollars. Inflows of private capital grew by 60 million dollars, which helped to strengthen international reserves (see tables 5 and 6).

Table 13

CHILE: TOTAL SUPPLY AND DEMAND

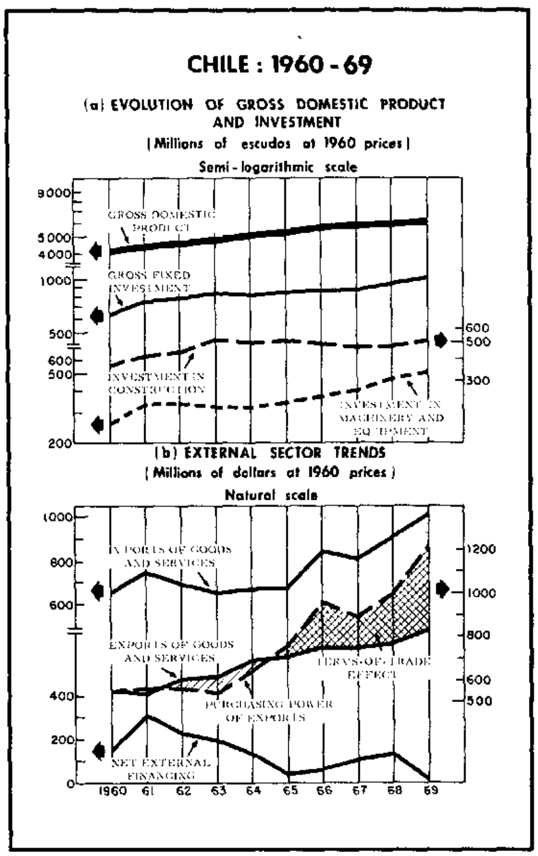
	Millions of escudos at 1960 prices				Percentage structure				Annual growth rates (percentages)		
	1960	1965	1968	1969	1960	1965	1968	1969	1960-65	1965-68	1969
Total supply	4 857.0	6 036.6	6 953.5	7 226.5	116.7	113.6	116.3	117.3	4.4	4.8	3.9
Gross domestic product	4 160.0	5 313.1	5 980.1	6 159.5	100.0	100.0	100.0	100.0	5.0	4.0	3.0
Imports of goods and services	697.0	723.5	973.4	1 067.0	16.7	13.6	16.3	17.3	0.7	10.4	9.6
Total demand	4 857.0	6 036.6	6 953.5	7 226.5	116.7	113.6	116.3	117.3	4.4	4.8	3.9
Exports of goods and services	574.0	746.6	803.5	861.1	13.8	14.0	13.4	14.0	5.4	2.5	7.2
Total investment	722.0	978.5	390.8	1 052.1	17.3	18.4	16.6	17.1	6.3	0.4	6.2
Gross fixed investment	641.0	855.6	948.6	1 022.1	15.4	16.1	15.9	16.6	5.9	3.5	7.7
Construction	377.0	510.7	476.1	504.7	9.1	9.6	8.0	8.2	6.3	-2.3	6.0
Machinery and equipment	264.0	344.9	472.5	517.4	6.3	6.5	7.9	8.4	5.5	11.1	9.5
Total consumption	3 561.0	4 311.5	5 159.2	5 313.3	85.6	81.1	86.3	86.2	3.9	6.2	3.0
General government	447.0	538.0	624.9	646.8	10.7	10.1	10.5	10.5	3.8	5.1	3.5
Private	3 114.0	3 773.5	4 534.3	4 666.5	74.9	71.0	75.8	75.7	3.9	6.3	2.9

Source: 1960-1968: ECLA estimates based on data supplied by the Planning Office (ODEPLAN); 1969: ECLA estimates.

Chile

The Chilean economy recovered somewhat in 1969, but maintained the sluggish growth that characterized it in the two previous years. The gross domestic product rose by 3 per cent, compared with 2.7 per cent in 1968. This modest growth in the product resulted, however, in a much bigger increase in real income (5.3 per cent), with the new improvement in the terms-of-trade effect as a result of higher world copper prices (see table 13).

The trends of the major production sectors reveal a decline of some 3.4 per cent in agricultural output owing to the adverse weather conditions in 1968. In mining and manufacturing, however, the growth rates were 3.6 and 3.5 per cent respectively, which shows that there was some recovery in relation to 1968. The most significant increase was in construction, which, after the contraction in recent years, expanded by 6 per cent. Electric power production again increased, and in the services sector, transport and communications pursued their upward trend, while there was a less intensive growth of trade.



In the evolution of domestic demand, which continued to expand although at a slightly slower pace than in 1968, investment expenditure was still the most dynamic component. Gross fixed investment grew 7.7 per cent, with increases of 9.5 per cent in machinery and equipment and 6 per cent in construction. Total consumption rose by 3 per cent, as the result of a somewhat smaller increase in consumption expenditure in the private sector and 3.5 per cent in government consumption.

The more accelerated growth of the value of exports of goods (which was 25 per cent higher than in 1968) in relation to that of imports (which increased by 13.7 per cent), coupled with the insignificant rise in net remittances of profits and interest to other countries, resulted in a sharp reduction in the deficit on current account. In these circumstances, although the net inflow of autonomous capital was less than in 1968, the balance of payments -before compensation- showed a surplus of 112 million dollars, thus keeping to much the same level as the preceding year (see tables 5 and 6).

The chief developments in the fiscal sector were, first, an increase in tax revenue, basically from indirect taxes; and, secondly, a growth of expenditure that was slower than that of income. The result was an increase in saving and a reduction in the fiscal deficit.

Lastly, the consumer price index rose 29.3 per cent from December 1968 to December 1969. Wholesale prices increased even more (37.9 per cent) from November 1968 to November 1969. This rise in prices, especially that which took place in the first few months of the year, led to a revision of anti-inflationary strategy, with the aim of preventing the price index from rising faster than in 1968, and of ensuring a smaller increase in 1970.

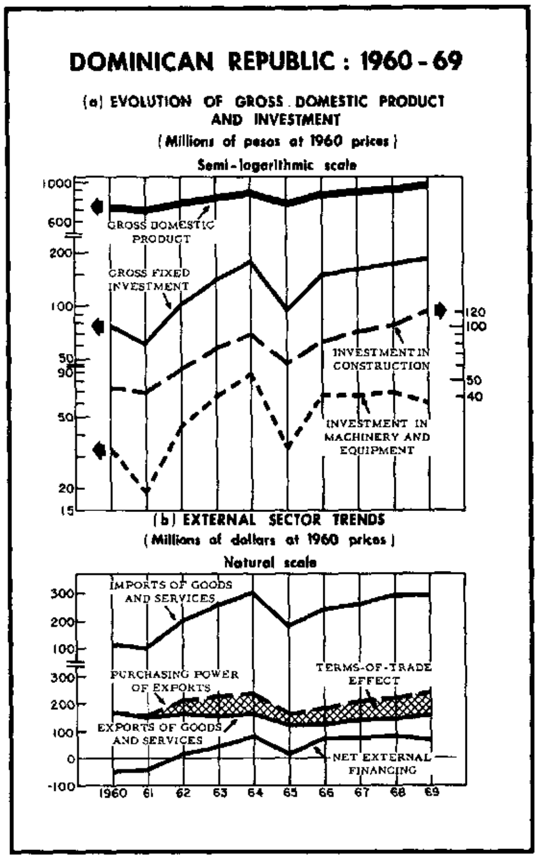
Table 26

DOMINICAN REPUBLIC: TOTAL SUPPLY AND DEMAND

	Millions of pesos at 1960 prices				Percentage structure				Annual growth rates (percentages)		
	1960	1965	1968	1969	1960	1965	1968	1969	1960-1965	1965-1968	1969
Total supply	840.8	946.1	1 203.8	1 269.7	116.1	124.5	132.3	130.4	2.4	8.4	5.5
Gross domestic product	723.9	759.8	909.9	973.6	100.0	100.0	100.0	100.0	1.0	6.2	7.0
Imports of goods and services	116.9	186.3	293.9	296.1	16.1	24.5	32.3	30.4	9.8	16.4	0.7
Total demand	840.8	946.1	1 203.8	1 269.7	116.1	124.5	132.3	130.4	2.4	8.4	5.5
Exports of goods and services	172.1	127.4	149.5	159.9	23.8	16.8	16.4	16.4	6.0	5.5	7.0
Total investment	95.2	94.6	167.8	182.7	13.1	12.4	18.4	18.8	-0.1	21.1	8.9
Gross fixed investment	75.7	94.2	171.9	182.2	10.5	12.4	18.9	18.7	4.5	22.4	6.0
Construction	44.3	60.5	101.8	120.1	6.1	8.0	11.2	12.3	6.4	19.0	18.0
Machinery and equipment	31.4	33.7	70.1	62.1	4.4	4.4	7.7	6.4	1.4	27.7	-11.4
Total consumption	573.5	724.1	886.5	927.1	79.2	95.3	97.4	95.2	4.8	7.0	4.6
General government	92.2	106.5	92.0	94.5	12.7	14.0	10.1	9.7	2.9	-4.8	2.7
Private	481.3	617.6	794.5	832.6	66.5	81.3	87.3	85.5	5.1	8.8	4.8

Source: For 1960 to 1968, ECLA estimates on the basis of data supplied by the Central Bank of the Dominican Republic. For 1969, ECLA estimates.

Dominican Republic



The gross domestic product of the Dominican Republic rose by 7 per cent in 1969 -more than twice the growth rates registered in 1967 and 1968. Among the reasons for this improvement were the expansion of the agricultural sector and the inflows of foreign capital, consisting of both public and direct private investment (see table 26).

Over-all supply increased by 5.5 per cent, owing to the relatively slow growth of imports. Nevertheless, capital formation was up by 8.9 per cent, since public investment rose 18 per cent and private investment 8 per cent. There was a modest increase in consumption, since the Government's austerity policy permitted a rise of only 2.7 per cent in the public sector.

The agricultural product grew 9.6 per cent, with the increase of 30 per cent in the sugar harvest, and of 20 per cent in tobacco, and a general increase in foodstuffs for consumption. The larger output of sugar, alcoholic beverages and tobacco contributed to the growth of 9.4 per cent in the manufacturing product. Stimulated by new investment in electric power capacity and in construction, the basic services expanded by 5.3 per cent, but the rate of "other services" was lower.

The economic expansion had hardly any effect on the high unemployment rate, which has led to salary cuts in the public sector and a wage freeze in the private sector. Wholesale and retail prices dropped slightly.

The value of exports of goods and services was up by 10.3 per cent, as a result of the larger agricultural output and more favourable world prices. The restrictive policy in force resulted in a 3 per cent increase in the value of imports of goods and services, but there was still a trade deficit, as well as a deficit on the goods and services account. Even though direct investment followed a satisfactory trend and better use was made of external credit, international reserves nevertheless declined (see tables 5 and 6).

Towards the end of the year the Development Plan for 1970-1974 was published. Absolute priority in the allocation of resources is given to production, and all that will be done in the sphere of social services is to prevent further deficits from accumulating. An annual growth of 6.6 per cent, among other objectives of the Plan, would bring the per capita product in 1974 to 316 dollars and would reduce the number of unemployed by about 20 per cent. The Plan would necessitate a net investment of 1 386 million dollars, which would mean a financing deficit of 215 million, since domestic saving would provide 621 million dollars, and external saving 550 million.

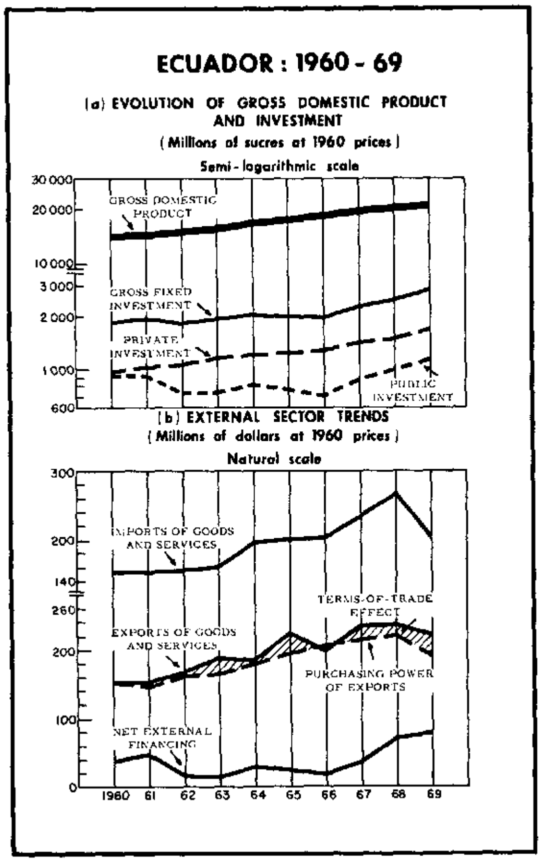
Table 14

ECUADOR: TOTAL SUPPLY AND DEMAND

	Millions of sucres at 1960 prices				Percentage structure				Annual growth rates (percentages)		
	1960	1965	1968	1969	1960	1965	1968	1969	1960-65	1965-68	1969
Total supply	16 616	20 593	24 534	25 113	117.5	118.9	122.3	119.8	4.4	6.0	2.4
Gross domestic product	14 140	17 325	20 065	20 962	100.0	100.0	100.0	100.0	4.2	5.0	4.4
Imports of goods and services	2 476	3 268	4 469	4 151	17.5	18.9	22.3	19.8	5.7	11.0	-7.1
Total demand	16 616	20 593	24 534	25 113	117.5	118.9	122.3	119.8	4.4	6.0	2.4
Exports of goods and services	2 530	3 659	3 876	3 332	17.9	21.1	19.3	15.9	7.7	1.9	-14.0
Total investment	2 151	2 324	2 794	3 089	15.2	13.4	13.9	14.7	1.6	6.3	10.6
Gross fixed investment	1 897	2 005	2 434	2 729	13.4	11.6	12.1	13.0	1.1	6.7	12.1
Private	986	1 226	1 460	1 624	7.0	7.1	7.3	7.7	4.5	6.0	11.2
Public	911	779	974	1 105	6.4	4.5	4.9	5.3	-3.0	7.7	13.4
Total consumption	11 935	14 610	17 864	18 692	84.4	84.3	89.0	89.2	4.1	6.9	4.6
General government	1 813	2 369	2 729	2 851	12.8	13.7	13.6	13.6	5.5	4.8	4.5
Private	10 122	12 241	15 135	15 841	71.6	70.6	75.4	75.6	3.9	7.3	4.7

Source: 1960-1967: Central Bank and Planning Board of Ecuador; 1968-1969 ECLA estimates based on data from the same source.

Ecuador



In 1969 Ecuador's gross domestic product rose at a rate of 4.4 per cent, which is slightly more than that of population growth (3.4 per cent), as a result of the recovery in agriculture and the rapid expansion of domestic investment, which led to a construction boom and a substantial increase in manufacturing output (see table 14).

The drought in 1968 had caused a sharp drop in agricultural production. More normal conditions in 1969, however, enabled the principal crops to show relatively large increases; but the problem of inadequate food supplies in urban sectors still persists. The food shortages have therefore continued to exert pressure on domestic price levels and, inter alia, have made it impossible to stabilize the country's balance-of-payments position.

Mining showed a 6 per cent growth, to which output of sulphur and petroleum mainly contributed. Substantial sums were invested in petroleum, copper and molybdenum prospecting and development activities.

Manufacturing output rose by 4.9 per cent, which was faster than in 1968. Although there are only incomplete data available, this growth implies a further modernization of the sector, since it is estimated that the manufacturing component rose by 7 per cent, while the growth of artisan-type activities was sluggish. Construction increase by 6.1 per cent, mainly owing to the impetus from private and municipal investment.

The services sectors tended to grow somewhat less than the goods producing sectors. This is basically due to the reduced investment in the economic infrastructure, which seems to have limited the growth of the electricity and similar sectors to not more than 2 per cent in 1969.

As far as the Government is concerned, the general budget for 1969 closed with a deficit of 1 500 million sucres, which was only partially covered by non-monetary sectors. In other words, the trend towards an increasing budget deficit started in 1965 and, financed mostly with Central Bank credits, it still continues.

Trends in the external sector were unfavourable in 1969. Current dollar earnings from exports dropped 12.2 per cent as a result of the reduction in the volume of exports of bananas (8 per cent), cocoa (37 per cent) and coffee (22 per cent) despite a slight improvement in prices. Imports also contracted (5 per cent) but not to the same extent, which led to a deficit of 83 million dollars on current account, the highest in the last two decades. This deficit exceeded the net inflow of autonomous capital and therefore had to be financed out of international reserves (see tables 5 and 6).

Table 15

EL SALVADOR: TOTAL SUPPLY AND DEMAND

	Millions of colones at 1960 prices				Percentage structure				Annual growth rates (percentages)		
	1960	1965	1968	1969	1960	1965	1968	1969	1960-65	1965-68	1969
Total supply	1 773.8	2 532.3	2 819.4	2 883.9	124.9	128.0	126.0	124.9	7.4	3.6	2.3
Gross domestic product	1 420.0	1 977.6	2 238.0	2 308.2	100.0	100.0	100.0	100.0	6.9	4.2	3.1
Imports of goods and services	353.8	554.7	581.4	575.7	24.9	28.0	26.0	24.9	9.4	1.6	-1.0
Total demand	1 773.8	2 532.3	2 819.4	2 883.9	124.9	128.0	126.0	124.9	7.4	3.6	2.3
Exports of goods and services	289.4	512.0	596.4	561.5	20.4	25.9	26.6	24.3	12.1	5.2	-5.8
Total investment	219.4	305.0	312.4	324.7	15.4	15.4	14.0	14.1	6.8	0.8	3.9
Gross fixed investment	204.4	294.0	287.2	274.2	14.4	14.9	12.8	11.9	7.5	-0.8	-4.5
Private	163.8	215.0	224.5	211.0	11.5	10.9	10.0	9.2	5.6	1.4	-6.0
Public	40.6	79.0	62.7	63.2	2.9	4.0	2.8	2.7	14.2	-7.4	0.8
Total consumption	1 265.0	1 715.3	1 910.6	1 997.7	89.1	86.7	85.4	86.5	6.3	3.7	4.6
General government	143.1	171.2	199.2	227.3	10.1	8.6	8.9	9.8	3.7	5.2	14.1
Private	1 121.9	1 544.1	1 711.4	1 770.4	79.0	78.1	76.5	76.7	6.6	3.5	3.4

Source: ECLA estimates on the basis of official statistics.

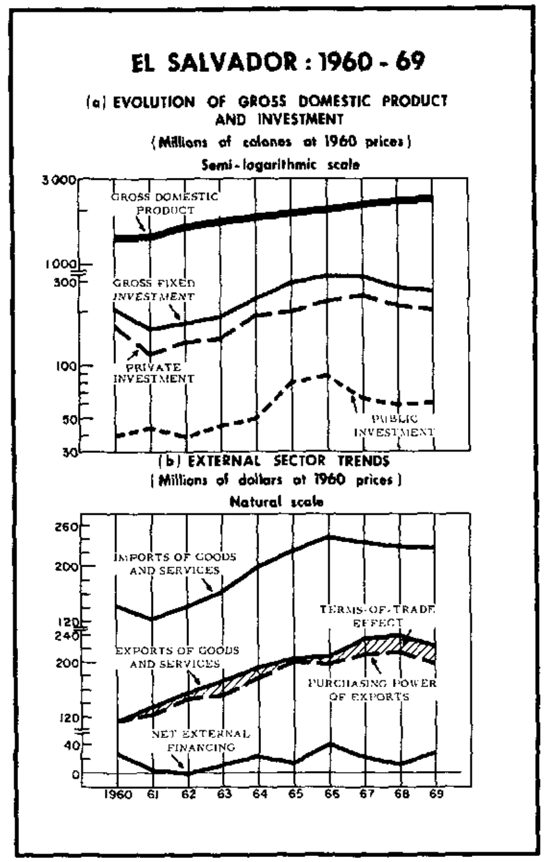
El Salvador

In 1969 the economy of El Salvador grew at its slowest pace for five years (3.1 per cent). It was affected not only by the modest rate of growth of traditional exports but also by the conflict with Honduras and the ensuing cutback in private investment and exports to the Central American Common Market (see table 15).

The growth of consumption -especially current government expenditure- on the demand side, and the slight recovery of agricultural production on the supply side were the main factors counterbalancing the generally depressed state of the economy. Hence, the population grew at a faster pace than the gross domestic product, which meant that per capita income declined to some extent.

The recovery in the agricultural sector was the result of favourable weather, the growth of livestock production, the increase in crops for domestic consumption and the rise in world coffee prices. The agricultural product grew by approximately 3 per cent.

The rate of growth of the remaining sectors of production declined compared with earlier years. As a result of the contraction of exports to the Common Market, the decline in the growth rate, and the restrictions imposed for balance-of-payments or fiscal reasons, manufacturing had to contend with rather unfavourable circumstances, which seem to have slowed down the process of capital formation in this sector. These and other factors resulted in a growth rate of 2.9 per cent, the lowest for five years.



Construction, which had favourable prospects at the beginning of the year, declined slightly as a result of the cutback in investment. The rate of growth of the trade, transport and communications sectors fell by between 30 and 40 per cent as the immediate result of the decline in the external sector and the slow growth of the economy as a whole. In contrast, owing to the high priority assigned to energy, the electricity sector grew by close to 8 per cent, which was largely due to the entry into operation of the new steam-powered plant at Acajutla (33 MW). General government services are estimated to have grown by approximately 8 per cent.

The contraction in exports to the Common Market was a decisive factor in the decline in total exports of goods and services. On the other hand, the emergency situation arising from the conflict pushed up imports, especially in the second half of 1969, notwithstanding the restrictive measures taken earlier in the year. This uneven trend of exports and imports led to a deficit on current account, and this was covered by net capital inflows, which slightly improved the external payments position (see tables 5 and 6).

Again in the field of public finance, the disparity between the increase in central government income (5 per cent) and the increase in expenditure (12 per cent) was the cause of a much bigger deficit than the year before, and contributed towards the stagnation of public investment. On the other hand, according to the data available, prices did not rise by more than 1.1 per cent, i.e., approximately half the average rise during 1968.

Table 16

GUATEMALA: TOTAL SUPPLY AND DEMAND

	Millions of quetzales at 1960 prices				Percentage structure				Annual growth rates (percentages)		
	1960	1965	1968	1969	1960	1965	1968	1969	1960-65	1965-68	1969
Total supply	1 195.3	1 589.3	1 836.9	1 928.0	114.5	117.9	117.5	117.2	5.9	4.9	5.0
Gross domestic product	1 043.6	1 347.8	1 563.7	1 645.6	100.0	100.0	100.0	100.0	5.3	5.1	5.2
Imports of goods and services	151.7	241.5	273.2	282.4	14.5	17.9	17.5	17.2	9.7	4.2	3.4
Total demand	1 195.3	1 589.3	1 836.9	1 928.0	114.5	117.9	117.5	117.2	5.9	4.9	5.0
Exports of goods and services	131.9	249.2	296.5	318.5	12.6	18.5	19.0	19.4	13.6	6.0	7.4
Total investment	107.5	158.1	193.1	206.2	10.3	11.7	12.3	12.5	8.0	6.9	6.8
Gross fixed investment	102.1	149.9	193.4	206.2	9.8	11.1	12.4	12.5	8.0	8.9	6.6
Private	75.5	118.7	152.6	160.5	7.2	8.8	9.8	9.7	9.5	8.7	5.2
Public	26.6	31.2	40.8	45.7	2.6	2.3	2.6	2.8	3.2	9.4	12.0
Total consumption	955.8	1 182.0	1 347.3	1 403.3	91.6	87.7	86.2	85.3	4.3	4.5	4.2
General government	79.9	91.3	97.6	104.0	7.7	6.8	6.3	6.3	2.7	2.3	6.6
Private	875.9	1 090.7	1 249.7	1 299.3	83.9	80.9	79.9	79.0	4.5	4.6	4.0

Source: For 1960 to 1968, ECLA estimates on the basis of data supplied by the Banco de Guatemala. For 1969, ECLA estimates.

Guatemala

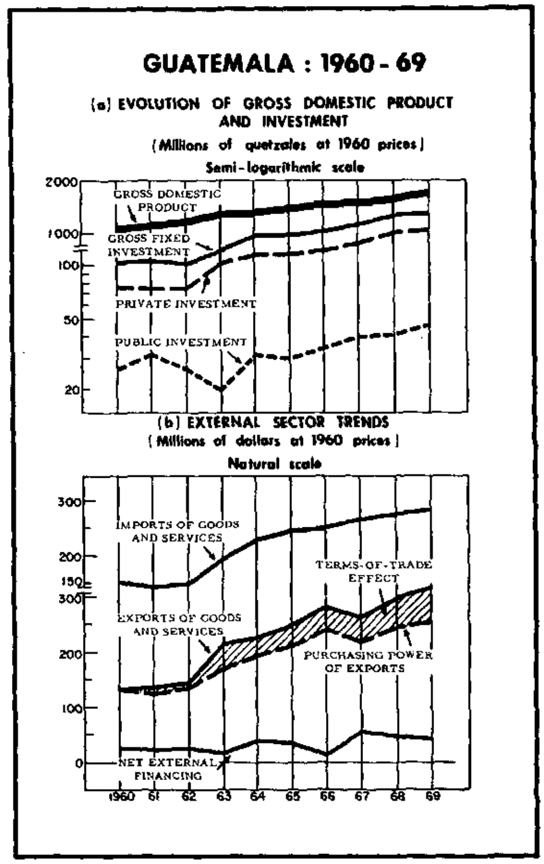
The economic growth rate declined slightly in relation to 1968, but remained at the satisfactory level of the past few years, since the gross domestic product rose by 5.2 per cent. This tapering off is attributable to unfavourable temporary circumstances such as the barriers to intra-Central American trade caused by the conflict between El Salvador and Honduras, and to adverse weather conditions (see table 16).

Agricultural production grew by 4 per cent, which was lower than the 5.6 per cent recorded in 1968. Although export commodities, mainly bananas, showed relatively significant increases, production for domestic and Central American consumption and livestock production grew by only 3 per cent. Manufacturing output, which depends to a large extent on Central American demand, rose by 5.6 per cent, compared with 8.1 per cent in 1968. Construction showed a more vigorous rate of growth - 7.7 per cent - thanks to the expansion of public investment.

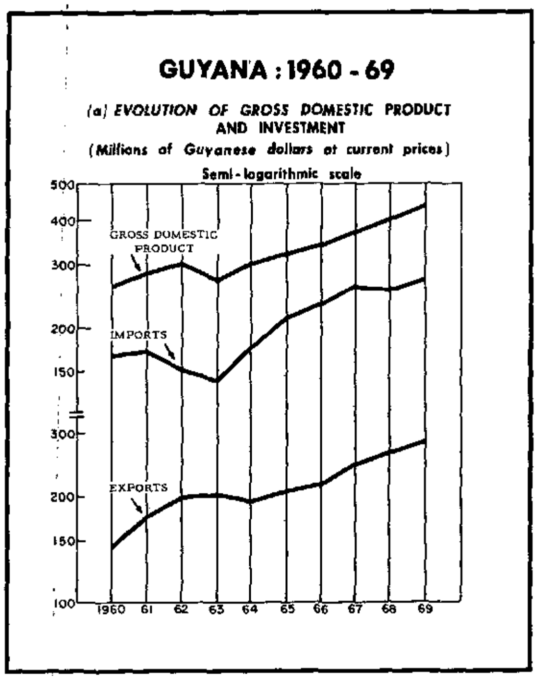
The electric power sector, which was hampering the growth of some productive activities, grew by 13.7 per cent in 1969. The first unit (20 MW) of the Jurún-Marinalá hydroelectric plant was installed, and the remaining units are expected to begin operating in 1970.

Economic activity was stimulated by the market expansion of public expenditure, particularly in social and cultural services (25 per cent) and investment 12 per cent. Income was unable to increase to the same extent. Hence the fiscal year closed with a deficit of 7.8 million quetzales. This, however, is much the same situation as that recorded in previous fiscal years.

External sector trends were favourable. The balance-of-payments deficit on current account contracted from 52.0 million dollars in 1968 to 47.3 million in 1969. The inflow of long-term private capital improved slightly over the previous levels, thus permitting an increase in the Central Bank's international reserves (see tables 5 and 6).



Guyana



Guyana's rate of economic growth accelerated during 1969, thanks mainly to the increase in mining production and construction. The gross product at current prices, which had risen by 7. 4 per cent in the three years 1966-1968, is estimated to have grown by 8. 8 per cent in 1969. This rate is all the more favourable inasmuch as domestic prices, which had increased by 2. 8 per cent annually during the three-year period, seem to have risen hardly at all in 1969 (see table 17).

Trends in the different production sectors show that since 1965 construction has become the most dynamic sector of the economy, with an annual growth rate of 21. 2 per cent in 1966-1968 and 17 per cent in 1969. Mining output soared during the whole decade, at rates of over 30 per cent annually in the two years 1961-1962 and 14 per cent annually from 1965 onwards. Agricultural trends have been very irregular, and the same may be said of fishing and forestry. The agricultural product grew by nearly 8 per cent in 1969; this was attributable to the exceptional increase in the sugar harvest, estimated at 17 per cent, since rice -the other main crop- showed no expansion in production during the year. Both these commodities had an impact on the manufacturing sector, in which sugar

Table 17

GUYANA: NATIONAL INCOME AND PRODUCT

(G$ millions)

	Average 1960-64	1965	1968	1969
Total consumption	238. 5	294. 9	359. 0	386. 5
Private	199. 9	240. 5	289. 3	306. 8
Public	38. 6	54. 4	69. 7	79. 7
Total investment	63. 8	80. 6	96. 2	107. 0
Gross fixed capital formation	61. 4	70. 0	92. 9	102. 8
Change in inventories	2. 4	10. 6	3. 3	4. 2
Total domestic expenditure	302. 3	375. 5	455. 2	493. 5
Import of goods and services	161. 6	213. 7	256. 9	273. 9
Export of goods and services	177. 3	203. 7	262. 4	285. 5
Gross domestic product at market prices	318. 0	365. 5	460. 7	505. 1
Indirect taxes less subsidies	30. 2	37. 2	54. 0	62. 7
Gross domestic product at current factor cost	287. 8	328. 3	406. 7	442. 4

Source: Economic Survey 1968 and information supplied by the Ministry of Economic Development.

processing and rice milling are of considerable importance. Manufacturing has been growing steadily, but it is not one of the most dynamic sectors.

The growth of the product was accompanied by a rise of 11 per cent in gross fixed investment, which is slightly over the annual increase recorded in the three-years 1966-1968. In particular, public investment -representing approximately one-third of total investment- went up 2.6 times in volume from 1962 to 1968, offsetting the somewhat slower growth of private investment.

Consumption has registered a very even growth of about 7 or 8 per cent annually during the decade. On the whole, private consumption has grown less rapidly than general government consumption.

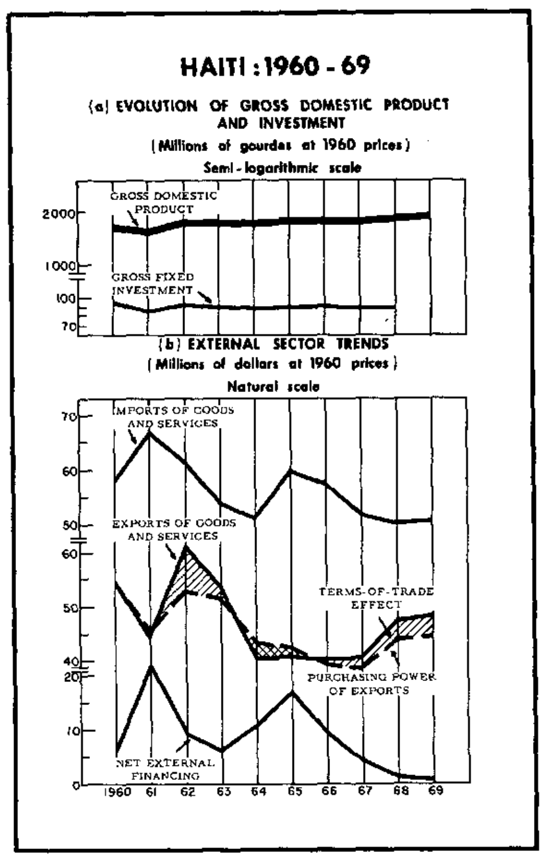
In the external sector, import trends have varied in recent years, their decline in 1968 and their recovery in 1969 coincided with larger investments in the bauxite and alumina mining sectors.

Meanwhile, despite the drop in rice sales, exports rose by about 9 per cent in 1969 mainly owing to larger sales of bauxite and sugar. In the last two years the value of exports of goods has exceeded that of imports; thus the deficit on current account was reduced from some 50 million Guyanese dollars 2/ in 1967 to 26 million and 28 million in 1968 and 1969 respectively, which undoubtedly helped to cut down on the use of foreign compensatory capital.

2/ Two Guyanese dollars are equal to one United States dollar.

Haiti

According to incomplete preliminary data, the Haitian economy grew by about 2.5 per cent in real terms in 1969, signifying a recovery from the steady decline throughout the 1960's; but even so, per capita income is still below the 1960 level (see table 18). Two important factors making for the growth of the product were the rising trend in exports, for the second successive year, and the increase in public investment.



The policy of incentives and the favourable weather led to significant increases in the production of the principal agricultural products for domestic consumption. On the other hand, with the exception of sugar-cane, there was a decline in output of the principal export products (coffee and sisal). However, the agricultural sector as a whole seems to have grown at a slightly higher rate than the total product.

The growth of the industrial product was less than that of the economy as a whole, owing to a decline in activity in the main branches of the sector. Production of both essential oils and sugar fell; the latter decrease prevented Haiti from taking full advantage of its quota for the United States market. There was also a considerable drop in flour production. These decreases were barely offset by the progress achieved in other sectors, including a notable increase in production of cement and local handicrafts. There was a large increase in the electricity sector, which is expected to expand even more when the first stage of the Peligre project goes into operation at the end of 1970. Lastly, there was a satisfactory expansion of the mining sector, with a steep rise in bauxite

Table 18

HAITI: TOTAL SUPPLY AND DEMAND

	Millions of gourdes at 1960 prices				Percentage structure				Annual growth rates (percentages)		
	1960	1965	1968	1969	1960	1965	1968	1969	1960-65	1965-68	1969
Total supply	1 933.1	2 033.9	2 069.9	2 120.4	117.7	117.1	113.8	113.7	1.0	0.6	2.4
Gross domestic product	1 642.1	1 737.4	1 818.5	1 864.0	100.0	100.0	100.0	100.0	1.1	1.5	2.5
Imports of goods and services	291.0	296.5	251.4	256.4	17.7	17.1	13.8	13.7	0.6	-5.7	2.0
Total demand	1 933.1	2 033.9	2 069.9	2 120.4	117.7	117.1	113.8	113.7	1.0	0.6	2.4
Exports of goods and services	272.0	205.0	235.5	241.0	16.6	11.8	12.9	12.9	-5.8	4.7	2.3
Total investment	94.9	90.4	89.1	...	5.8	5.2	4.9	...	-1.0	-0.5	...
Total consumption	1 566.2	1 738.5	1 745.3	...	95.4	100.1	96.0	...	2.1	0.1	...
General government	126.0	132.7	116.2	...	7.7	7.6	6.4	...	1.0	-4.3	...
Private	1 440.2	1 605.8	1 629.1	...	87.7	92.4	89.6	...	2.2	0.5	...

Source: 1960-1968: ECLA estimates on the basis of data supplied by the Haitian Statistical Institute (Institute Haitien de Statistique); 1969, ECLA estimates.

production, contrasting with the difficult situation in the copper industry.

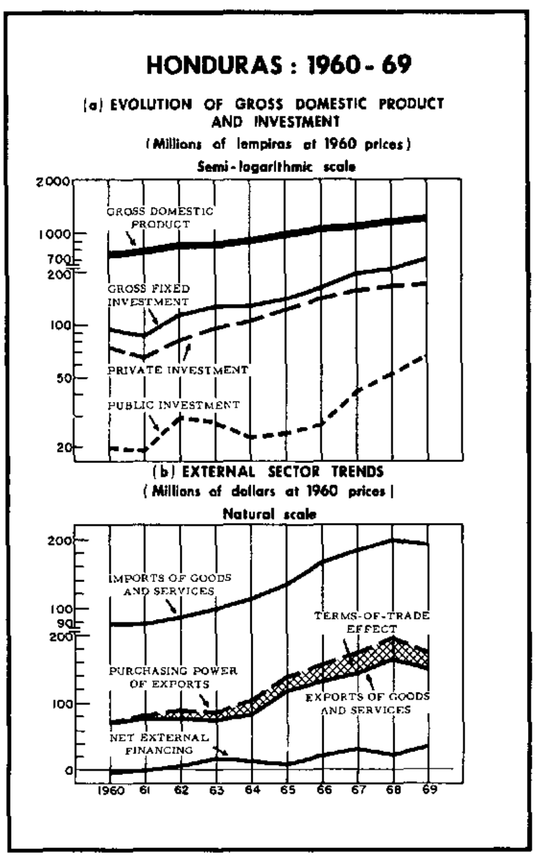
After achieving relative equilibrium in 1968, the Central Government fiscal situation again deteriorated in the fiscal year 1969, and there was a deficit equivalent to 6 per cent of total expenditure.

The increase in the money supply was estimated at nearly 10 per cent, but its effect was partly offset by increases in deposits by government agencies and in savings accounts. At the same time, the retail price index rose by more than 4 per cent, reversing the downward trend from 1967 to 1968.

Dollar earnings from exports of goods increased by 3 per cent compared with the previous year. This slow increase was due to the decline in sales of coffee, sugar, and essential oils, which was offset by the market rise in the value of bauxite exports (more than 50 per cent) and the increase in sales of handicraft articles to the United States, which grew in value by about 20 per cent. There was also a revival of the tourist industry, while income from transfer payments showed a recovery from the previous year.

The value of imports grew by 2.8 per cent, so that the deficit on current account was slightly below the preceding year's level. For the second successive year, the deficit was covered by the slight improvement in the country's external payments position, due to receipt of income in the form of official transfer payments and through recourse to loans from international financial institutions (IDA, IDB) (see tables 5 and 6).

Honduras



Hondura's economic growth rate in 1969 was 3.2 per cent, which, apart from 1963, was the lowest for the whole decade. The main factor behind this deterioration was the contraction of the external sector as a result of the hurricanes and floods which damaged export crops, the commercial deadlock caused by the conflict with El Salvador, and the drop in trade with other neighbouring countries following the closing of the borders and the main international land route (see table 19).

The principal productive sectors registered widely divergent trends. The volume of agricultural production fell by 1.5 per cent owing to the major losses caused by bad weather, which chiefly affected banana production and the corn and rice harvests. In addition, the bean crop was rather poor and the cotton-growing area was reduced. Increases in the production of forest industries (nearly 10 per cent) and the slight expansion of the livestock industry could do little to offset the decline in this supply of agricultural commodities. By contrast, a growth rate of 6.5 per cent was achieved in the manufacturing sector thanks to increased use of existing plant capacity. The construction rate was also satisfactory, thanks in part to the increase in public works.

Consumption expenditure in the public sector was 12.8 per cent higher than the year before, while public investment rose by 29 per cent. On the other hand, private consumption and investment increased slowly. Current general government income rose by 5.4 per cent and current expenditure by 10.8 per cent, thereby putting pressure on

Table 19

HONDURAS: TOTAL SUPPLY AND DEMAND

	Millions of lempiras at 1960 prices				Percentage structure				Annual growth rates (percentages)		
	1960	1965	1968	1969	1960	1965	1968	1969	1960-65	1965-68	1969
Total supply	908.6	1 236.6	1 551.1	1 584.4	120.2	126.9	133.5	132.1	6.4	7.8	2.1
Gross domestic product	755.8	974.5	1 161.9	1 199.0	100.0	100.0	100.0	100.0	5.3	5.8	3.2
Imports of goods and services	152.8	262.1	389.2	385.4	20.2	26.9	33.5	32.1	11.4	14.1	-1.0
Total demand	908.6	1 236.6	1 551.1	1 584.4	120.2	126.9	133.5	132.1	6.4	7.8	2.1
Exports of goods and services	136.1	214.5	304.9	288.7	18.0	22.0	26.2	24.1	9.5	12.4	-5.3
Total investment	104.8	159.6	225.3	248.8	13.9	16.4	19.4	20.7	8.8	12.2	10.4
Gross fixed investment	95.7	144.5	214.4	236.8	12.7	14.8	18.5	19.8	8.6	14.1	10.4
Private	75.5	120.7	163.5	171.1	10.0	12.4	14.1	14.3	9.8	10.6	4.6
Public	20.2	23.8	50.9	65.7	2.7	2.4	4.4	5.5	3.3	28.8	29.1
Total consumption	667.7	862.5	1 020.9	1 046.9	88.3	88.5	87.9	87.3	5.3	5.8	2.5
General goverment	73.2	84.2	94.7	106.8	9.7	8.6	8.2	8.9	2.8	4.0	12.8
Private	594.5	778.3	926.2	940.1	78.6	79.9	79.7	78.4	5.5	6.0	1.5

Source: 1960-1968: ECLA estimates based on data supplied by the Central Bank of Honduras; 1969: ECLA estimates.

government saving and increasing credit requirements in the public sector.

Traditional exports (coffee, silver, corn, beans and livestock) were largely responsible for reducing income from exports of goods by about 6 per cent in contrast with the relatively high growth rate of the previous year (16 per cent at current prices). Commodity imports rose by only 2 per cent. Both factors played a decisive role in increasing the current account deficit which was almost 40 per cent higher than in 1968 (see tables 5 and 6).

Owing to the shortage of net autonomous movements of official and private capital, this deficit put pressure on the country's net international reserves, which dropped by 3 million dollars compared with an increase of 12 million dollars in 1968.

Jamaica

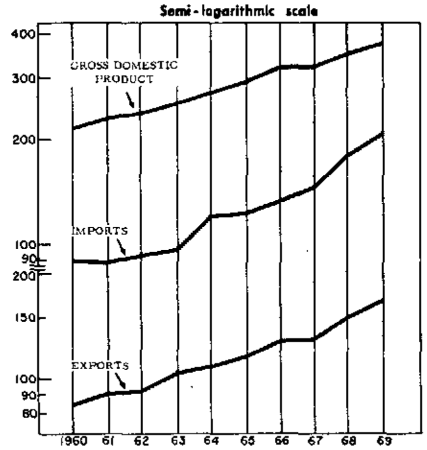
First estimates point to an increase of about 7 per cent in Jamaica's gross domestic product, measured at current prices; this is similar to the annual average of 7 per cent which has prevailed since 1960 but lower than the 9 per cent recorded in 1968. However, in assessing these growth rates, it must be remembered that the upward trend of domestic prices has accelerated in recent years. Although the annual increase was less than 3 per cent up to 1967, it rose 6.4 per cent in 1968 and around 8 per cent in 1969 (see table 20).

JAMAICA : 1960 - 69

(a) EVOLUTION OF GROSS DOMESTIC PRODUCT AND INVESTMENT

(Millions of Jamaican pounds at current prices)

Semi-logarithmic scale



The trend of the gross domestic product in 1969 was influenced by the slump in sugar-cane output, which directly affected both the agricultural and manufacturing sectors. Manufacturing production fell off by comparison with the previous year. On the other hand, the mining and quarrying sectors, along with oil refining and construction, registered marked increases. At current prices, mining production alone climbed by 26 per cent in 1969, as against 11 per cent in 1968. These differences in sectoral growth rates reflect the increasing structural transformations taking place in the economy, for although the traditional export commodities, like sugar, bananas and rum, are still very important, they are being gradually displaced by manufactured goods.

Gross domestic investment, which had risen by 18 per cent in 1967 and 31 per cent in 1968, continued at a reduced rate in 1969, despite the fact that the growth rate of the construction sector remained at the previous year's level.

The external sector continues to dominate Jamaica's economic activity. In the first half of the year the trade deficit increased steadily, with imports up by 17 per cent and exports by only 12 per cent.

Jamaican exports to the other countries of the Caribbean Free Trade Area (CARIFTA) shot up by 60 per cent in 1968, when the CARIFTA Agreement first came into force; they continued to rise in 1969, though at a slower pace.

To the growing trade deficit must be added a further deficit on other services. Higher net income from tourism did not suffice to offset the cost of insurance and freight and the outflow of profits and interest on foreign investment. Nevertheless, there has been an increased inflow of foreign capital in the form of direct investments and loans which have more than made up for the greater deficit on current account and strengthened the international foreign exchange reserves.

Table 20

JAMAICA GROSS DOMESTIC PRODUCT BY SECTORS OF ECONOMIC ACTIVITY, 1960-1969

Industrial sectors	Millions of Jamaican pounds at current prices				Rates of growth (percentages)		
	1960	1966	1968 a/	1969 b/	1960-1966	1968	1969
Agriculture, forestry and fishing	26.0	37.6	38.0	36.5	6.3	-2.3	-3.9
Mining, quarrying and refining	20.8	31.0	36.4	45.9	6.9	11.3	26.1
Construction	25.7	34.6	46.2	50.8	5.1	10.6	10.0
Government	13.3	25.1	33.7	36.2	11.2	25.2	7.4
Transport and communication	16.7	24.2	27.5	28.9	6.4	9.1	5.1
Distribution	38.9	45.6	51.1	54.1	2.7	7.8	5.9
Manufacturing	29.4	49.6	56.2	59.6	9.1	11.2	6.0
Others c/	44.6	74.3	82.6	87.5	8.9	5.0	5.9
Gross domestic product at factor cost	215.4	322.0	371.7	399.5	6.9	9.1	(7.5)

Sources: Publications of the Department of Statistics and the Central Planning Unit, Kingston. For 1969, full-year projections from part-year estimates.

a/ Provisional figures.

b/ Projections.

c/ Including electricity, gas and water, financial institutions, ownership of dwellings, and miscellaneous services.

Mexico

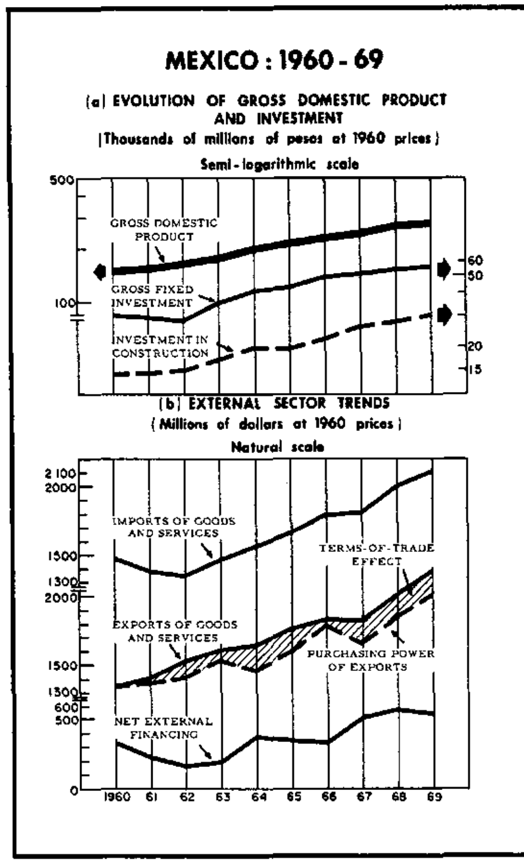
In 1969, the Mexican economy continued to follow its main long-term trends, since it is estimated that the gross domestic product increased by 6. 3 per cent, compared with the slightly higher rate of 7. 3 per cent in 1968 and an average of 6. 9 per cent for the period 1960-1967 (see table 21).

This return to a more moderate rate of growth may simply mean that the economy is adjusting to momentarily adverse conditions or seeking a pace that reduces the tensions inherent in excessively rapid growth. It may also be, however, an early warning sign of imbalance, which would have to be dealt with by making appreciable changes in economic policy. Mainly owing to poor weather conditions, the growth of agricultural production (2. 2 per cent) failed to keep pace with population increase. Manufacturing grew at a rate of 7. 8 per cent, which, though high, was somewhat lower than the average for the 1960's. Within the sector, however, consumer goods achieved the highest growth rate recorded in the 1960's, while the production goods industries lost ground.

Either because more was sold or because prices were higher, the external demand rose considerably in 1969. There was a 13 per cent rise in current earnings from exports of goods compared with a mere 5. 2 per cent rise in the value of imports. Income from tourism also rose by some 11 per cent. The net result was that although the persistent deficit on the trade balance fell by 69 million dollars, the deficit on current account (732 million dollars) remained practically unchanged owing to high annual external factor payments (between 550 and 600 million dollars). The only expenditure item on the trade balance that continued to grow rapidly (26 per cent) was expenditure abroad by Mexican tourists, which accounted for 9 per cent of total imports. The high deficit on current account in 1968 and 1969 reflected a higher net inflow of non-compensatory capital which helped to improve the foreign exchange reserves situation (see tables 5 and 6).

At one 4. 4 per cent, the growth rate of investment was appreciably below the average for the period 1961-1968. This can probably be explained by some of the measures taken to stabilize the currency and the exchange rate, the completion of some major public works (especially those connected with the Olympic Games), and a certain lack of confidence produced by the relatively low growth rate of domestic market.

Federal Government income increased by 9 per cent, as against 16. 3 per cent in 1968. This



can be explained by the slower tempo of over-all economic activity and of the import sector. Although some steps were taken, relatively little progress was made in making the tax system more flexible and relieving the pressure on public funds.

Since there were no inflationary pressures resulting from the inelasticity of supply and no major structural shortcomings in the monetary sector, the growth of the money supply virtually matched that of the gross domestic product, measured in constant prices, i. e., it followed the same trend as in previous years, when the over-all liquidity ration was slightly below the trend of transactions in real terms. At the end of 1969, the money supply was 10. 6 per cent greater than in December 1968 and was sufficient to meet the monetary requirements stemming from a higher level of economic activity.

Table 21

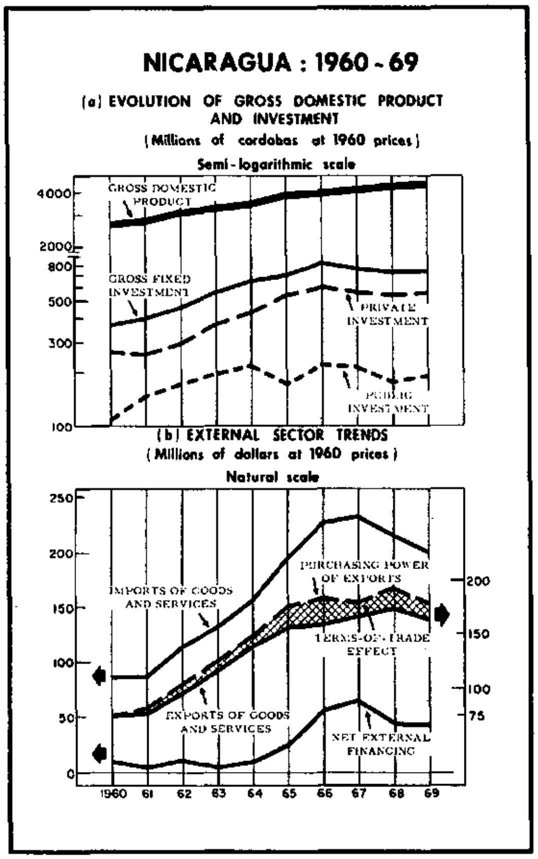
MEXICO: TOTAL SUPPLY AND DEMAND

	Millions of pesos at 1960 prices				Percentage structure				Annual growth rates (percentages)		
	1960	1967	1968	1969	1960	1967	1968	1969	1960-67	1967-68	1969
Total supply	169.4	262.6	282.6	300.2	112.6	109.6	110.0	110.0	6.5	7.6	6.2
Gross domestic product	150.5	239.6	257.0	273.2	100.0	100.0	100.0	100.0	6.9	7.3	6.3
Imports of goods and services	18.9	23.0	25.6	27.0	12.6	9.6	10.0	10.0	2.9	11.3	5.5
Total demand	169.4	262.6	282.6	300.2	112.6	109.6	110.0	110.0	6.5	7.6	6.2
Exports of goods and services	15.8	21.6	23.9	25.9	10.5	9.0	9.3	9.5	4.6	10.6	10.6
Total investment	30.2	51.2	54.1	56.5	20.1	21.4	21.1	20.8	7.8	5.7	4.4
Gross fixed investment	...	...	...	...	...	...	...	...	...	...	...
Construction	14.0	25.1	27.3	29.3	9.3	10.5	10.6	10.7	8.7	8.8	7.3
Total consumption	123.4	189.8	204.6	217.8	82.0	79.2	79.6	79.7	6.4	7.8	6.4
General government	9.5	17.7	19.4	20.6	6.3	7.4	7.5	7.5	9.3	9.6	6.2
Private	113.9	172.1	185.2	197.2	75.7	71.8	72.1	72.2	6.1	7.6	6.5

Source: ECLA estimates based on data supplied by the Banco de Mexico.

As the pressures caused by the high rate of activity in 1968 died down, the traditional objective of maintaining price stability again came to the fore. The wholesale price index for Mexico City rose by 2.2 per cent, chiefly as a result of the rise in prices of processed agricultural foodstuffs and consumer durables.

Nicaragua



In 1969, Nicaragua's economic growth rate was 3.3 per cent; thus the trend begun in 1966 towards relatively low increments in the level of economic activity was maintained. The loss of impetus was the outcome of various external and internal economic factors, including persistent balance-of-payments and public finance deficits (see table 22).

This is reflected in the agricultural sector, where a reduction of around 15 per cent in cotton production -caused by high domestic costs and unattractive foreign prices- resulted in an over-all decline in output of 1.5 per cent. The increase of the coffee crop by about 22 per cent over the previous year and of livestock production by 4 per cent could do little to offset the adverse effects of other important items on trends in the agricultural sector as a whole.

On the other hand, a series of specific investment projects in the manufacturing sector and the expansion of traditional industries caused the over-all value of industrial production to rise by about 10 per cent. The recovery of the construction industry, thanks to the implementation of public works and a revival of private investment in buildings and housing, also went some way towards preventing a major contraction in the over-all growth rate of the economy.

Of the components of aggregate demand, investment showed a slight increase, though it remained below the 1966 level; the principal stimulus came from the recovery of public investment.

Consumption trends reflected the slow growth of the economy and the Government's restrictive economic policy. Government consumption declined by 1.6 per cent and the growth rate of private consumption failed to match the rate of population growth.

The steps that were taken to improve tax administration and collect them and to tap new sources of tax revenue contributed towards a recovery of general government income by affording a slight increase in revenue from taxes on consumption (2.8 per cent) and direct taxes (4.5 per cent).

As regards foreign trade, the unfavourable conditions for the sale of cotton and coffee could not be offset by other exports, and total foreign sales declined by about 6 per cent. In view of the danger of strong pressures building up on international reserves, the Government decided not to lift its restrictions on imports, and this, combined with the slower economic growth rate, explains the 6 per cent drop (at current prices) in exports. By freezing factor payments, it was possible for the second successive year to reduce the deficit on current account (which fell from 45.2 to 44.3 million dollars over the two-year period). Owing to the reduction in the net capital inflow, part of this deficit had to be covered by drawing on the foreign exchange reserves (see tables 5 and 6).

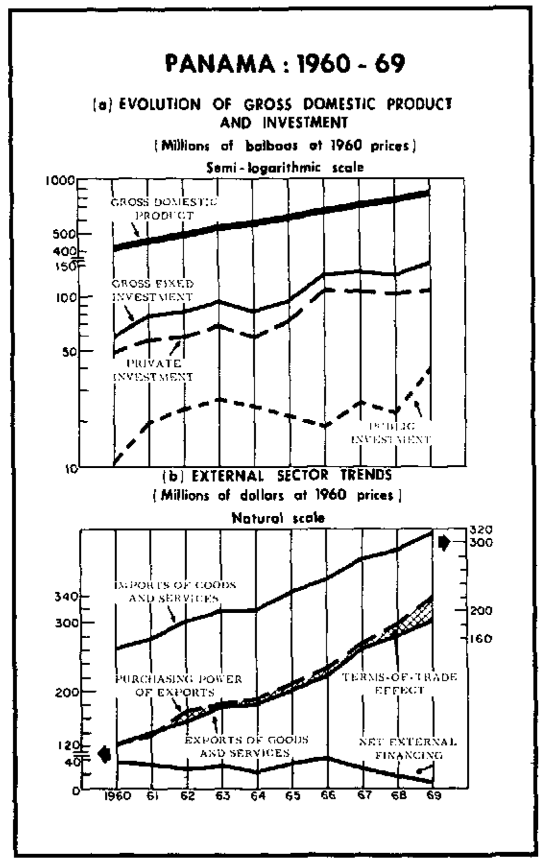
Table 22

NICARAGUA: TOTAL SUPPLY AND DEMAND

	Millions of córdobas at 1960 prices				Percentage structure				Annual growth rates (percentages)		
	1960	1965	1968	1969	1960	1965	1968	1969	1960-65	1965-68	1969
Total supply	3 090.1	5 035.6	5 699.9	5 733.9	124.8	137.6	136.7	133.1	10.3	4.2	0.6
Gross domestic product	2 476.2	3 659.4	4 169.7	4 307.3	100.0	100.0	100.0	100.0	8.1	4.4	3.3
Imports of goods and services	613.9	1 376.2	1 530.2	1 426.6	24.8	37.6	36.7	33.1	17.5	3.6	-6.8
Total demand	3 090.1	5 035.6	5 699.9	5 733.9	124.8	137.6	136.7	133.1	10.3	4.2	0.6
Exports of goods and services	554.4	1 108.1	1 221.5	1 173.2	22.4	30.3	29.3	27.2	14.9	3.3	-3.9
Total investment	337.2	754.4	791.0	810.6	13.6	20.6	19.0	18.8	17.5	1.6	2.5
Gross fixed investment	337.2	670.3	695.3	713.4	13.6	18.3	16.7	16.6	14.7	1.2	2.6
Private	260.8	548.7	567.2	574.2	10.5	15.0	13.6	13.6	16.0	1.1	1.2
Public	76.4	121.6	128.1	139.2	3.1	3.3	3.1	3.0	9.8	1.8	8.7
Total consumption	2 198.5	3 173.1	3 687.4	3 750.1	88.8	86.7	88.4	87.1	7.6	5.1	1.7
General government	210.0	309.9	411.2	404.6	8.5	8.5	9.9	9.4	8.1	9.9	-1.6
Private	1 988.5	2 863.2	3 276.2	3 345.5	80.3	78.2	78.5	77.7	7.6	4.6	2.1

Source: 1960-1968: ECLA estimates based on data supplied by the Central Bank of Nicaragua; 1969: ECLA estimates.

Panama



In 1969, the Panamanian economy returned to normal after a year in which the growth rate deteriorated under the influence of political factors. The gross domestic product grew by 8.6 per cent, helped by a spectacular increase of 64 per cent in public investment and the rapid growth of exports (13 per cent). (See table 23).

Agricultural output, pursuing the upward trend followed during the 1960s, rose by 6 per cent, despite the slow increase in crop production for domestic consumption and the stagnation of the fishing industry, which, like other exports from this sector is faced with poor external demand.

Manufacturing grew by 12 per cent, or the same rate as that recorded during the period 1960-1966. This appears to be due to the characteristics of imports substitution process and the national development policy. The construction industry expanded by 9.3 per cent, encouraged by strong public investment. In 1969, this investment was designed both to improve the country's economic and social infrastructure and to cut down the serious unemployment, which had increased in 1968. By curbing current expenditure and raising regular income by 12 per cent, the Government was able to increase savings on current account fourfold and avert and over-large budget deficit.

Exports of goods and services climbed by 15 per cent at current prices, owing mainly to the increase in the sales of two products and some services. Thus banana exports were stimulated by the favourable world market conditions and by the progress made in the programmes for expanding the banana crop, in pest control and in the use of improved varieties. The refining capacity and sales of petroleum products also increased. Income from services followed a favourable trend, particularly in sales to the Canal Zone and tourism.

The value of imports of goods and services grew by 11 per cent. The items showing the most vigorous growth were capital and intermediate goods; the former consisted mainly of machinery and transport equipment, and the latter of fuels -particularly crude petroleum-, lubricants and primary products.

The current account reflected a deficit of approximately 11.6 million dollars, which is considerably less than in previous years. In addition, the inflow of capital not only covered this deficit but also increased the supply of international resources.

Table 23

PANAMA: TOTAL SUPPLY AND DEMAND

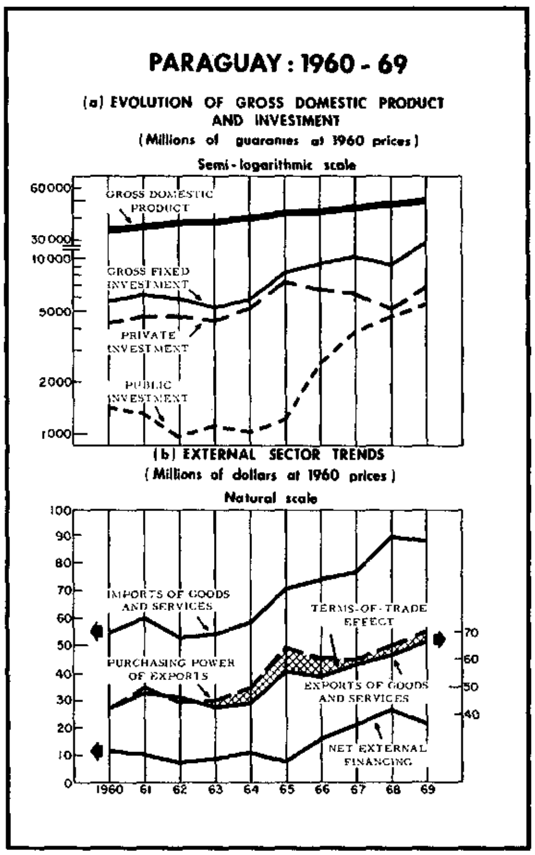
	Millions of balboas at 1960 prices				Percentage structure				Annual growth rates (percentages)		
	1960	1965	1968	1969	1960	1965	1968	1969	1960-1965	1965-1968	1969
Total supply	564.9	851.0	1 070.2	1 164.2	135.9	137.9	138.8	138.9	8.5	7.9	8.8
Gross domestic product	415.8	617.3	771.2	837.9	100.0	100.0	100.0	100.0	8.2	7.7	8.6
Imports of goods and services	149.1	233.7	299.0	326.3	35.9	37.9	38.8	38.9	9.4	8.6	9.1
Total demand	564.9	851.0	1 070.2	1 164.2	135.9	137.9	138.8	138.9	8.5	9.9	8.8
Exports of goods and services	127.3	212.5	291.6	331.3	30.6	34.4	37.9	39.5	10.8	11.2	13.2
Total investment	67.8	112.8	179.5	198.5	16.3	18.3	23.3	23.7	10.7	16.8	10.6
Gross fixed investment	61.4	97.1	161.1	183.3	14.8	15.7	20.9	21.9	9.6	18.4	13.8
Public	12.0	21.7	30.8	50.4	2.9	3.5	4.0	6.0	12.6	12.4	63.6
Private	49.4	75.4	130.3	132.9	11.9	12.2	16.9	15.9	8.8	20.0	2.0
Total consumption	369.8	525.7	598.1	634.4	88.9	85.2	77.6	75.7	7.3	4.4	6.1
General government	46.9	67.0	88.7	95.0	11.3	10.9	11.5	11.3	7.4	9.8	7.1
Private	322.9	458.7	509.4	539.4	77.6	74.3	66.1	64.4	7.3	3.6	5.9

Source: 1960-1968: Statistics and Census Department Office of the Controller; 1968-1969: ECLA estimates based on data from the same source.

Paraguay

Paraguay's gross domestic product grew by 5. 1 per cent, or at much the same rate as in 1968. This increase resulted from a general stepping up of services, manufacturing and construction and a rapid expansion (27. 6 per cent) of investment. Consumption declined slightly with a reduction of the fiscal deficit and continuing price stability (see table 24).

The agricultural sector grew by only 3. 1 per cent, its expansion being hampered by a decline in livestock production (2. 5 per cent), and by the smaller growth of forestry (12. 8 per cent) and crop farming (2. 5 per cent). Notwithstanding adverse weather conditions, some major crops showed sizable relative increases, however (for example, 34. 7 per cent in cotton fibre). The reduction in the volume of purchase (22. 4 per cent) and the price paid by export packing plants were responsible for the drop in livestock production.



Manufacturing output in 1969 was 5. 5 per cent higher than the year before. The volume of sawnwood increased by 30 per cent and canned palmetto by 14 per cent. Textiles, spurred by both domestic and external demand, continued at a high level. Despite the stoppage of a cement factory, production of this material rose by 68 per cent, because a larger plant went into production in October. Livestock industries and oil industries for export, such as tung, were less active, owing to slack world prices.

Financial intermediaries substantially increased their operations in 1969. The Government tended to use less credit in view of the reduction in the budget cash deficit to 149 million guaraníes. The amount of credit granted to the private sector by commercial banks and the National Development Bank was 24. 3 per cent higher that at the end of 1968. Mortgage credit operations were simplified, which contributed to this increase.

Exports of goods, prior to adjustment for balance-of-payments purposes, amounted to 50.9 million dollars, or 7 per cent more than in 1968. The variations in their composition reflect the changes in agricultural and manufacturing production. Even so, however, the higher value of tobacco exports was the result of quality improvements, while the decline in fresh fruit was due to Argentine sanitary restrictions. Imports of goods totalled 70. 4 million dollars, which includes 7. 1 million dollars for cigarettes and whisky in transit.

The deficit on current account in 1969 was 23. 9 million dollars, 5 million less than the previous year owing to the increase in tourist income. The foreign exchange reserves diminished, owing to the fact that the net inflow of non-compensatory capital was insufficient to cover the deficit on the balance-of-payments current account (see tables 5 and 6).

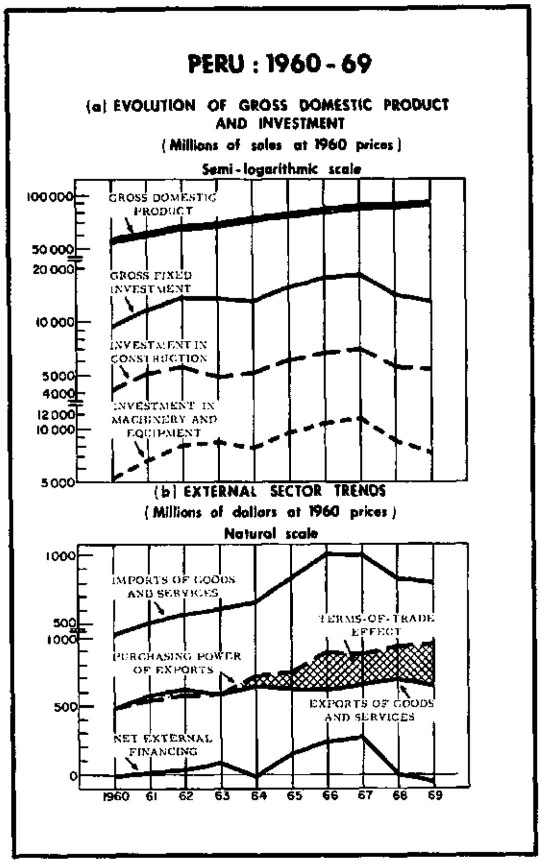
Table 24

PARAGUAY: TOTAL SUPPLY AND DEMAND

	Millions of guaraníes at 1960 prices				Percentage structure				Annual growth rates (percentages)		
	1960	1965	1968	1969	1960	1965	1968	1969	1960-1965	1965-1968	1969
Total supply	40 652.0	51 317.1	59 337.7	61 748.9	117.8	117.9	120.0	118.8	4.8	5.0	4.1
Gross domestic product	34 523.0	43 525.6	49 451.5	51 973.5	100.0	100.0	100.0	100.0	4.8	4.3	5.1
Imports of goods and services	6 129.0	7 791.5	9 886.2	9 775.4	17.8	17.9	20.0	18.8	4.9	8.3	-1.1
Total demand	40 652.0	51 317.1	59 337.7	61 748.8	117.8	117.9	120.0	118.8	4.8	5.0	4.1
Exports of goods and services	6 117.0	7 926.8	8 600.3	9 343.9	17.7	18.2	17.4	18.0	5.3	2.8	8.6
Total investment	5 841.0	8 802.3	9 727.4	12 344.1	16.9	20.2	19.7	23.7	8.5	3.4	26.9
Gross fixed investment	5 841.0	8 421.5	9 465.4	12 077.8	16.9	19.3	19.1	23.2	7.6	4.0	27.6
Public a/	1 401.0	1 237.0	4 543.8	6 789.3	4.1	2.8	9.2	13.1	-2.5	55.0	49.4
Private a/	4 440.0	7 565.3	5 183.6	5 554.8	12.8	17.4	10.5	10.6	11.2	-13.5	7.2
Total consumption	28 694.0	34 588.0	41 010.0	40 060.9	83.1	79.5	82.9	77.1	3.8	5.8	-2.3
General government	2 629.0	2 933.2	4 194.9	3 792.2	7.6	6.7	8.5	7.3	2.2	12.7	-9.6
Private	26 065.0	31 654.8	36 815.1	36 268.7	75.5	72.8	74.4	69.8	4.0	5.2	-1.5

Source: ECLA estimates on the basis of data supplied by the Central Bank of Paraguay.
a/ Including changes in stocks.

Peru



Peru's gross domestic product rose by 1.7 per cent in 1969, thus maintaining the sluggish rate recorded in 1968 (1.4 per cent). These rates imply an economic decline, since the population is increasing by 3 per cent annually (see table 25).

Although this deterioration can be explained by the unfavourable effects of ecological factors, the fact that there was a general decline in the sectoral products points rather to the influence of the economic stabilization policy adopted in 1968. The objective of this policy has been achieved, since prices rose only moderately (5.7 per cent in 1969) and the contraction in imports has permitted a reduction in the balance-of-payments deficit before compensatory financing. These results have been obtained thanks to the policy introduced by the Government in 1968 of cutting back public consumption expenditure and keeping down real consumer demand. These measures have been enforced more strictly during the past year, as is shown by the reduction of the fiscal deficit to only 647 million dollars (from about 6 000 million soles in previous years).

Not only did real demand decline, but personal saving also fell by 9 per cent in real terms during 1968, and by somewhat more in 1969. The volume of taxable income also shrank, as a result of the contraction in imports and real personal income. This curbed the growth of fiscal income so that the fiscal deficit had to be covered by means of new taxes and higher rates for existing taxes, in addition to the more stringent control of expenditure.

Through its long-term policy Peru has recently sought to smooth out the structural rigidities which influenced the declining trend in the country's economic growth during the 1960's. A new agrarian reform law enacted in mid-1969 abolishes the exceptions provided for in the previous legislation and endeavours to restructure Peru's agriculture, setting up individual small and medium-scale co-operatives, each with an income large enough to enable it to keep abreast of technological progress and expand the existing market for manufactured products. Under the new law the legal procedures for allocating agricultural property have been speeded up, so that the agrarian reform agency has been able to take possession of the principal sugar estates, which are now being organized as co-operatives.

A new mining code is in course of preparation. The contract for the development of the Cuajone mine, signed at the end of the year, shows that the policy is to break up the enclaves formed by the principal mines, which the Government now intends to link with the national economy, by providing that their foreign exchange transactions must be carried out through the Central Bank, and by compelling them to take the domestic supply of manufactured products into account. This is not the place to comment on other long-term policy measures, since the regulations for their application have not yet been formulated, but it may be mentioned that they include banking and tax reforms.

As regards the growth of production, the agricultural sector recovered from the recession brought about by the drought in 1968, and the agricultural product increased by 2.5 per cent in 1969. Fishing, however, was affected by biotechnical limitations, its output declining by 16

Table 25

PERU: TOTAL SUPPLY AND DEMAND

	Millions of soles at 1960 prices					Percentage structure					Annual growth rates (percentages)			
	1960	1965	1967	1968	1969	1960	1965	1967	1968	1969	1960-1965	1965-1967	1968	1969
Total supply	68 939	101 799	116 514	112 443	112 986	121.1	129.8	133.0	126.6	125.1	8.1	7.0	-3.5	0.5
Gross domestic product	56 909	78 433	87 603	88 829	90 339	100.0	100.0	100.0	100.0	100.0	6.6	5.7	1.4	1.7
Imports of goods and services	12 030	23 366	28 911	23 614	22 647	21.1	29.8	33.0	26.6	25.1	14.2	11.2	-18.3	-4.1
Total demand	68 939	101 799	116 514	112 443	112 986	121.1	129.8	133.0	126.6	125.1	8.1	7.0	-3.5	0.5
Exports of goods and services	13 466	17 262	17 837	19 233	18 009	23.7	22.0	20.4	21.7	19.9	5.1	1.7	7.8	-6.4
Total investment	12 292	17 452	22 643	17 889	16 619	21.6	22.2	25.8	20.1	18.4	7.3	13.9	-21.0	-7.1
Gross fixed investment	9 541	15 636	18 664	14 259	13 004	16.8	19.9	21.3	16.1	14.4	10.4	9.3	-23.6	-8.8
Private	1 242	5 029	5 547	...	...	2.2	6.4	6.3	...	...	32.0	5.0	...	...
Public	8 299	10 607	13 117	...	...	14.6	13.5	15.0	...	...	5.0	11.2	...	...
Total consumption	43 181	67 085	76 034	75 321	78 358	75.9	85.5	86.8	84.8	86.7	9.2	6.5	-0.9	4.0
General government	4 776	7 569	7 744	7 837	7 978	8.4	9.6	8.8	8.8	8.8	9.6	1.2	1.2	1.8
Private	38 405	59 516	68 290	67 484	70 380	67.5	75.9	78.0	76.0	77.9	9.2	7.1	-1.2	4.3

Source: 1960-1967: ECLA estimates based on data supplied by the Banco Central de Reserva del Perú; 1968-1969: ECLA estimates.

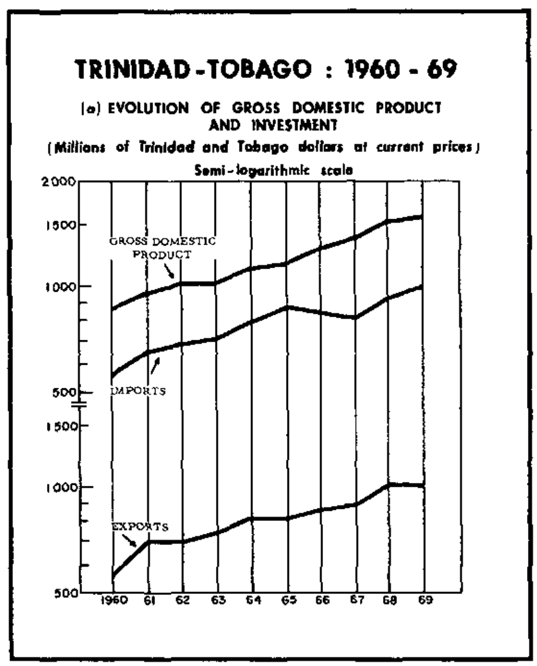
per cent as a result of the extension of the closed season for the catching of anchoveta. Mining output grew by only 2.7 per cent, which was the net result of the strike that reduced production in the principal copper mine, and the recovery in the rest of the sector owing to the improvement in world prices.

Manufacturing, affected by the contraction of real demand for manufactured goods and of its main sources of funds, grew by only 1.9 per cent, which compares very unfavourably with the rate for any other year in the decade. Owing to lack of funds, construction once again fell by 3.4 per cent, resulting in a further increase in unemployment among urban wage-earners. The growth of commerce and "other services" was also sluggish.

The external sector showed favourable trends in 1969, with a further increase in the value of exports of goods and services, this reflects the rise in world prices and the drop in imports of goods and services, the result being a surplus of 44 million dollars on current account. However, the smaller inflow of non-compensatory capital made it impossible to bring the balance before compensatory financing below 67 million dollars. The refinancing of the guaranteed public debt, bolstered the gross foreign exchange reserves, including the IMF position, for the first time in the last few years (see tables 5 and 6).

Trinidad—Tobago

Preliminary data available for 1969 show that the gross product, which grew at an annual rate of 6.9 per cent -at current prices- in 1960-1967, and 12.4 per cent in 1968, increased by only 2.7 per cent in 1969. In comparing these figures, account should be taken of the fact that in 1969 domestic prices increased by little more than 2 per cent, which is on a par with that for 1960-1967 and much lower than that for 1968 (see table 27).



The principal sectors of activity showed great disparities in growth. Production of petroleum declined by 1.6 per cent, while agricultural production, which had declined in recent years, remained stationary. On the other hand, the manufacturing sector continued to grow, and there was a considerable increment in construction for the second successive year. It should be emphasized that the expansion of the industrial sector was determinated by direct government incentives and by investment in infrastructure under the third five-year development plan.

With regard to the external sector, exports of goods suffered a slight decline, owing to the decrease in income from petroleum products, while it is estimated that imports -particularly imports of manufactures and foodstuffs- continued to increase between 7 and 8 per cent, which must have caused an increase in the balance-of-payments deficit on current account.

In 1969 there was no progress towards solution of the serious social and economic problem of unemployment, which is estimated to affect 14 per cent of the labour force, leaving out of account disguised unemployment, which seems to be fairly high. Furthermore, the declining trend in population growth persisted, and was in turn influenced by the decline in the over-all birth rate (which fell to 25.7 per mil in 1969) and by the market increase, as from 1964, in emigration, mainly to the United States and Canada, which is estimated to have reached a net figure of 13 000 persons in 1969.

Apart from the increase in unemployment, recent years have seen a decline in the growth rate of industrial workers' wages, which throughout the decade have grown faster than domestic consumer prices.

Table 27

TRINIDAD AND TOBAGO: GROSS DOMESTIC PRODUCT AT FACTOR COST BY ECONOMIC SECTOR, 1960 AND 1965-1969

	Millions of Trinidad and Tobago dollars value at current prices				Percentage structure		Growth rates percentages		
	1960	1965	1968a/	1969b/	1960	1969	1960-1965	1965-1968	1969
Agriculture, forestry fishing and quarrying	108.4	105.5	127.0	126.9	12.5	8.0	-0.5	-6.4	-
Mining and refining of petroleum, asphalt and gas	263.4	284.1	379.0	373.0	30.4	23.5	1.5	10.1	-1.6
Manufacturing	108.2	179.2	269.9	293.0	12.5	18.5	10.6	14.6	8.5
Construction	40.6	58.6	58.1	63.5	4.7	4.0	7.6	-0.3	9.3
Transport and distribution	149.6	211.7	273.0	277.5	17.2	17.5	7.2	8.9	1.6
Public utilities	40.6	64.9	89.0	81.0	4.7	5.1	9.8	11.1	-9.0
Government	82.5	118.6	162.0	173.0	9.5	10.9	7.5	11.0	6.8
Ownership of dwellings	16.8	47.3	54.5	58.7	1.9	3.7	23.0	4.8	7.7
Banking and finance	20.0	39.4	47.0	50.8	2.3	3.2	14.5	6.1	8.1
Other services	34.9	66.6	83.7	89.0	4.0	5.6	13.8	7.9	6.3
Total	865.0	1 175.9	1 543.9	1 586.0	100.0	100.0	6.3	9.5	2.7

Sources: Annual Statistical Digest, and draft Third Five-Year Plan, 1969-1973.
a/ Provisional.
b/ ECLA, estimate on the basis of official statistics.

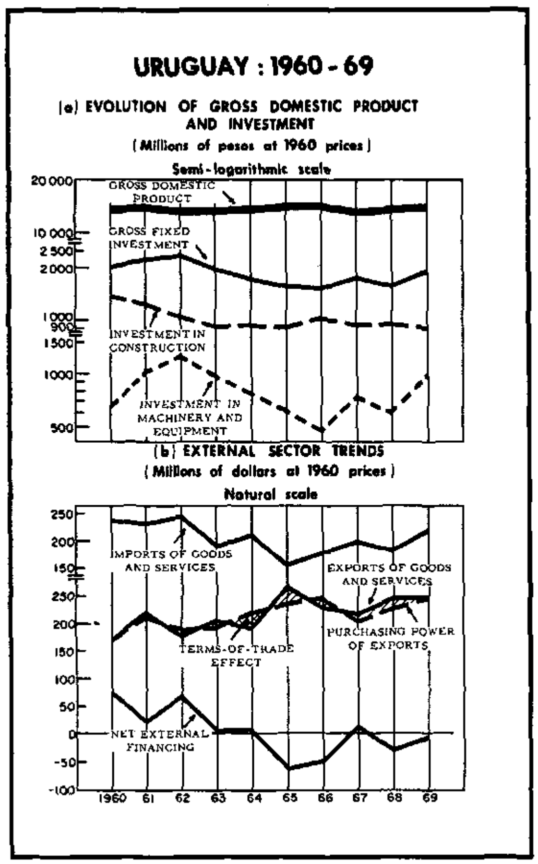
Uruguay

The gross domestic product grew by 5. 3 per cent in 1969, contributing factors being the recovery of agricultural production, which increased by 15 per cent, and the substantial increase in gross fixed investment (32. 3 per cent), which in turn contributed to the 4. 8 per cent rise in manufacturing production. On the other hand, the economic stabilization policy led to a relatively slow growth in consumption (3. 5 per cent) and kept price increases below the ceiling fixed at the beginning of the year (see table 28).

Weather conditions were a decisive factor in the 15 per cent rise in agricultural production, and particularly the 50 per cent growth of crop production. In the livestock industry, the greater availability of fodder crops made for a 12 per cent rise in milk output. Variations in demand -which revived in the second quarter of the year as a result of an increase in real wages- had a clear impact on the industrial sector. The improvement is attributable to increases in the production of beverages, flour, textiles, petroleum products and electrical appliances. The foodstuffs industry was also favoured by external demand. An appreciable decline in private construction was responsible for the stagnation of the sector as a whole, despite the 28 per cent increase in the expenditure of the Ministry of Public Works. The services sector grew by 3. 5 per cent owing to increase activity in the agricultural and industrial sectors and the expansion of imports.

Central Government financing and credit policy regained their dominant role in the programme of economic stabilization. The budget showed a deficit of around 9 900 million pesos (equivalent to 14 per cent of total expenditure), expenditure having increased more than expected and income being in line with expectations. Owing to unexpected difficulties in selling Treasury bonds, which yielded only 200 million pesos, the major part of the deficit was covered by a loan of 9 700 million pesos from the Banco de la República. The liabilities of the monetary authorities increased from 41 to 61 thousand million pesos, causing a notable increase in liquidity.

Prices did not rise to the degree expected, which may be partly due to keeping meat prices at their previous level and to the fact that industry, following an early rise in industrial prices in 1968, was able to absorb part of the increased costs. Nevertheless, consumer and wholesale



prices increased by 14. 5 and 7. 2 per cent, respectively.

The value of exports of goods amounted to 201 million dollars, indicating an increase of 12. 2 per cent compared with the previous year, and imports amounted to 176 million. The latter figure is 10. 9 per cent higher than the 1968 level, owing to the considerable increase in imports of capital goods. Taking into account the corresponding services, the surplus on current account was 5. 3 million dollars (22. 1 million in 1968). Although on a lesser scale than in 1968, the net inflow of non-compensatory capital contributed to the balance-of-payments surplus of 17 million dollars before compensatory financing (see tables 5 and 6).

Table 28

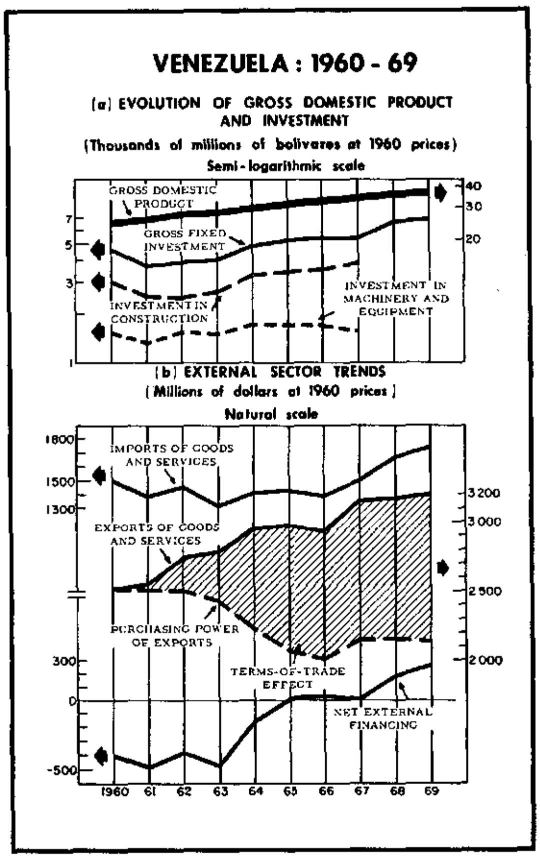
URUGUAY: TOTAL SUPPLY AND DEMAND

	Millions of pesos at 1960 prices				Percentage structure				Annual growth rates (percentages)		
	1960	1965	1968	1969	1960	1965	1968	1969	1960-65	1965-68	1969
Total supply	16 299.0	15 982.0	15 977.5	17 082.9	120.0	112.7	115.4	117.1	-0.3	-0.1	6.9
Gross domestic product	13 583.0	14 184.5	13 848.2	14 582.1	100.0	100.0	100.0	100.0	0.9	-0.8	5.3
Imports of goods and services	2 716.0	1 797.5	2 129.3	2 500.8	20.0	12.7	15.4	17.1	-8.6	5.8	17.4
Total demand	16 299.0	15 982.0	15 977.5	17 082.9	120.0	112.7	115.4	117.1	-0.3	-0.1	6.9
Exports of goods and services	1 952.0	3 061.4	2 749.0	2 840.2	14.4	21.6	19.8	19.5	9.4	-3.5	3.3
Total investment	2 392.0	1 496.2	1 663.0	2 276.6	17.6	10.5	12.0	15.6	-9.8	3.6	36.9
Gross fixed investment	2 045.0	1 566.7	1 685.8	2 230.3	15.1	11.0	12.2	15.3	-5.5	2.5	32.3
Construction	1 371.0	927.9	974.9	974.9	10.1	6.5	7.1	6.7	-8.2	1.7	0.0
Machinery and equipment	674.0	638.8	710.9	1 255.4	5.0	4.5	5.1	8.6	-1.1	3.6	76.6
Total consumption	11 955.0	11 424.4	11 565.5	11 966.1	88.0	80.5	83.5	82.1	-0.9	0.4	3.5
General government	1 228.0	1 446.4	1 484.0	1 518.1	9.0	10.2	10.7	10.4	3.3	0.9	2.3
Private	10 727.0	9 978.0	10 081.5	10 448.0	79.0	70.3	72.8	71.7	-1.5	0.3	3.6

Source: ECLA estimates on the basis of data supplied by the Central Bank of Uruguay.

Venezuela

The growth rate of the Venezuelan economy continued to slacken in 1969, the increase of 3.5 per cent in that year comparing unfavourably with figures of 5.5 per cent in 1968 and 6 per cent in 1967 (see table 29). A factor contributing to this trend was the slight decline in petroleum output and the smaller increase in the goods-producing sectors, which was not offset by any expansion of services (see table 29).



Agricultural production increased by 4 per cent, although the growth in output of certain products, such as cotton, coffee, cocoa, sesame and rice, was much higher. This trend reflects the stimulus given to agriculture by the government policy of supporting minimum prices.

Output of petroleum fell slightly, by 0.4 per cent, partly owing to the restrictions imposed in the North American market on imports of crude petroleum with a high sulphur content. Other mining products showed a high growth rate, (23.9 per cent), owing to the increased external demand for iron and to the fact that a start was made on working new diamond deposits.

Manufacturing grew by 4.4 per cent, a lower rate than in previous years. Production of ingot steel declined by 2.4 per cent because of a strike, and oil refining suffered a 2 per cent drop in output because of the contraction of demand. On the other hand, there was an increase in the metal-transforming industries (19.4 per cent) and in basic chemical products, excluding fertilizers.

Construction remained at a standstill since the continuing growth of the private sector merely counteracted the decline in the public sector. There was a 10 per cent increase in electricity generation, thanks to the expansion of installed capacity.

The value of exports of goods and services decreased slightly (1.5 per cent) chiefly owing to the deterioration in the prices of crude petroleum, which was not offset by the larger sales of iron ore, cocoa and coffee, and the first aluminium exports. On the other hand, there was a further increase in payments for imports of goods and services including profits remitted abroad. Thus, the deficit on current account amounted to 360 million dollars (140 million more than in 1968), this was partly offset by the repatriation of 160 million dollars of short-term domestic capital, which together with the net inflow of foreign loans and investment, resulted in a small balance-of-payments surplus before compensatory financing (see tables 5 and 6).

Table 29

VENEZUELA: TOTAL SUPPLY AND DEMAND

	Millions of bolívares at 1960 prices				Percentage structure				Annual growth rates (percentages)		
	1960	1965	1968	1969	1960	1965	1968	1969	1960-1965	1965-1968	1969
Total supply	30 502.0	37 352.1	42 229.0	43 770.9	119.1	114.4	114.8	115.0	4.1	4.2	3.7
Gross domestic product	25 620.0	32 661.8	36 778.4	38 065.6	100.0	100.0	100.0	100.0	5.0	4.0	3.5
Imports of goods and services	4 882.0	4 690.3	5 450.6	5 705.3	19.1	14.4	14.8	15.0	-0.8	5.1	4.7
Total demand	30 502.0	37 352.1	42 229.0	43 770.9	119.1	114.4	114.8	115.0	4.1	4.2	3.7
Exports of goods and services	8 096.0	9 632.1	10 233.6	10 427.5	31.6	29.5	27.8	27.4	3.5	2.0	1.9
Total investment	4 510.0	6 386.1	7 501.5	7 742.0	17.6	19.5	20.4	20.3	7.2	5.5	3.2
Gross fixed investment	4 607.0	5 432.6	6 870.9	7 111.4	18.0	16.6	18.7	18.7	3.4	8.2	3.5
Construction	3 089.0	3 657.1	4 964.7	...	12.1	11.2	13.5	...	3.4	10.7	...
Machinery and equipment	1 518.0	1 775.5	1 906.2	...	5.9	5.4	5.2	...	3.2	2.4	...
Total consumption	17 896.0	21 333.9	24 493.9	25 601.4	69.8	65.3	66.6	67.3	3.6	4.7	4.5
General government	3 544.0	4 812.9	5 919.2	6 215.2	13.8	14.7	16.1	16.3	6.3	7.1	5.0
Private	14 352.0	16 521.0	18 574.7	19 386.2	56.0	50.6	50.5	51.0	2.8	4.0	4.4

Source: 1960-1968: ECLA estimates on the basis of data supplied by the Central Bank of Venezuela; 1969: ECLA estimates.

Income distribution in Latin America

General features

A comparison of the characteristics of personal income distribution in Latin America with that found in some developed capitalist countries shows that there is considerably more inequality in the former than in the latter (see table 30).

As regards the relative position of the various income groups, in Latin America the top income groups have a much bigger share in total income and the bulk of the population in the middle-income groups have a correspondingly smaller share.

Table 31 provides other indications regarding the more regressive nature of income distribution in Latin America: the incomes of most of the population (70 to 80 per cent) are below the national average, while in the developed countries this proportion ranges from 55 to 65 per cent.

When average income is related to the income distribution, the limitations of taking average income as an expression of typical income, at any rate in Latin America, are obvious. The region's average per capita income in 1965 was about 385 dollars; but neither this figure nor those for the individual countries makes it clear that in 1965 the poorer half of the Latin American population had an average per capita income of less than 110 dollars. The upper limit for this group was 180 dollars per head.

Table 30

PERCENTAGE INCOME DISTRIBUTION IN LATIN AMERICAN AND SELECTED DEVELOPED COUNTRIES, 1965 a/

Country	Degree of concen-tration	Income groups				
		Lowest 20 per cent	Lower middle 30 per cent	Upper middle 30 per cent	15 per cent below the top 5 per cent	Top 5 per cent
Brazil	0.57	3.5	11.5	23.6	22.0	39.4
El Salvador	0.54	5.5	10.5	22.6	28.4	33.0
Venezuela	0.54	3.0	11.3	27.7	31.5	26.5
Mexico	0.53	3.6	11.8	26.1	29.5	29.0
Costa Rica	0.52	6.0	12.2	21.8	25.0	35.0
Panama	0.49	4.9	15.6	22.9	22.1	34.5
Colombia	0.48	5.9	14.3	23.1	26.3	30.4
Argentina	0.48	5.2	15.3	25.4	22.9	31.2
Latin America b/	0.57	3.1	10.3	24.1	29.2	33.4
France	0.52	1.9	14.0	30.4	28.7	25.0
Netherlands	0.44	4.0	17.4	30.2	24.8	23.6
United Kingdom	0.40	5.1	17.7	33.0	25.0	19.2
United States	0.40	4.6	18.7	31.2	25.5	20.0
Norway	0.36	4.5	20.6	34.4	25.1	15.4

Source: ECLA estimates.

a/ How these date were obtained and their limitations are explained in the full-length version of the Economic Survey of Latin America, 1969.

b/ Excluding Cuba. The regions was considered as a single unit.

There are also substantial qualitative differences between the poorer groups in Latin America and in the developed countries. In the latter, such groups consist of what might be called "special cases" (old persons, the temporarily unemployed, the sick, very young workers, etc.). In Latin America, the population groups receiving the lowest income comprise active members of the labour force.

Two conclusions may be drawn from this: (1) in developed countries a low income is not, as in Latin America, a continuing situation, both for the individual and probably for his children; (2) low-income groups in developed countries have more access to the benefits of social welfare or social security programmes, by virtue of being special cases in economies with a relatively high per capita product. This is not true of Latin America, where the poor are not generally considered special cases and the per capita product is substantially lower.

When the structure of income distribution is related to the structure of production in Latin America (modern, intermediate and primitive sectors), it can be seen that the low income levels prevailing in the lower half of the distribution scale (equal to 13.4 per cent of total personal income) mainly reflect incomes in the primitive sector, which includes approximately 40 per cent of the Latin American labour force, and produces probably less than 10 per cent of the total gross product. The intermediate sector comprises the groups included roughly in the sixth, seventh and eighth deciles, which, in spite of having considerably higher income levels than the first five deciles, receive comparatively low incomes. Per capita income in this group only starts to rise above the regional average towards the upper limit, while the income of the group as a whole is only 80 per cent of the average.

The two highest income groups -in the two top deciles- embrace the modern sector and the sectors closely linked to it. A large proportion of total personal income is in the hands of these two groups.

Table 31

DISTRIBUTION OF AVERAGE PER CAPITA PERSONAL INCOME BY INCOME GROUPS

(1960 dollars)

Country	Average per capita personal income in 1960	Income groups				
		Lowest 20 per cent	30 per cent below the median	30 per cent above the median	15 per cent below the top 5 per cent	Top 5 per cent
Brazil a/	230	40	88	181	338	1 820
El Salvador	205	56	72	154	390	1 350
Venezuela	515	77	194	475	1 081	2 730
Mexico	390	70	154	340	767	2 270
Costa Rica	380	114	155	276	633	2 660
Panama	350	86	182	267	516	2 415
Colombia	260	77	124	200	455	1 590
Argentina	780	203	398	661	1 190	4 867
Latin America	330	51	114	265	643	2 204
France	1 100	105	514	1 115	2 104	5 500
Netherlands	830	166	481	836	1 371	3 920
United Kingdom	1 400	357	826	1 540	2 335	5 376
United States	2 300	529	1 435	2 390	3 910	9 200
Norway	930	209	640	1 067	1 560	2 870

Source: ECLA estimates.

a/ The figures for Brazil are based on the must recent data available; a review is currently under way which indicates a slightly higher figure.

Causes of greater inequality in income distribution

Because of the heterogeneous nature of the Latin American production structure, modern technology is accessible to only a small part of the labour force, which consequently has high productivity levels. On the other hand, a significant proportion of the labour force is still engaged in activities using antiquated low-productivity techniques.

Inasmuch as not only the more advanced techniques but also the higher labour productivity and the profits resulting there from remain in the modern sector, the differences in productivity between the above-mentioned sectors largely account for the differences in income. In the developed countries the primitive sector is much smaller and a much larger proportion of the labour force is fully incorporated in the modern sector.

The other factor which explains the different distribution pattern in Latin America is the composition of the high-income group and the conditions under which it operates. By way of a hypothesis, it can be assumed that there is a greater concentration of private property in Latin America than in the developed countries. In the latter, too, there is a different system of entrepreneurial management, in that it is the salaried professional managers and not the individual entrepreneurs who adopt most of the decisions. Some of the results of this situation are as follows: (1) professional managers usually receive lower incomes than the self-employed; (2) an impersonal form of management entails a more complete system of records, which facilitates the application of direct taxes; (3) since their prestige depends on the size of the company they control, professional managers may be more interested in financing its growth by paying out smaller dividends and ploughing back a higher proportion of the profits as reinvestment in the company.

The effect of all this is to reduce personal income of those at the top of the scale and, therefore, to diminish the concentration of income in the hands of this group.

Consequences of the structure of income distribution

Behind the specific differences distinguishing Latin America from the developed countries lies an entirely different pattern of development that influences and is influenced by the distribution of income. In the Latin American countries, production is aimed primarily not at mass markets but at meeting the needs of a specialized market that includes less than one-third of the total population, the one-third at the top of the income scale. Hence, to some extent industrial expansion is based on regressive income distribution. Furthermore, unit prices are relatively high, not only because scales of production are small but also because profits per unit of product are high, added to which is the fact that wage and salary-earners receive a small share of total income.

The developed countries, in contrast, have broken this vicious circle in several respects: production is mostly aimed at mass markets; the scale of production is large; unit profits are low; wage- and salary-earners receive a large share of income, etc.

More specific aspects of the income distribution structure

Generally speaking, the greater the proportion of profits, the more likely it is for income to be extremely concentrated at the top of the scale; this is what occurs in Latin America, where the share of wage- and salary-earners in total income nowhere approaches the levels prevailing in the developed countries (see table 32).

The comparatively lower share of wage- and salary-earners in Latin America is in part a reflection of the enormous size of the primitive sector in the region and of the inability of the modern sector to offer adequate employment opportunities. Moreover, the fact that a sizable proportion of the self-employed have little or no capital and are engaged in marginal activities because they are unable to find more remunerative employment reduces the number of wage- and salary-earners while at he same time promoting inequality in the distribution of income among the other groups. This is of particular significance in the agricultural sector, where self-employed workers make up between one-quarter and one-half of the labour force.

Table 32

SHARE OF WAGE- AND SALARY-EARNERS IN NET NATIONAL INCOME a/

(Percentages)

Argentina	43.7
Brazil	47.5
Colombia	44.7
Ecuador	51.1
Peru	43.6
Uruguay	60.3
Venezuela	57.0
Mexico	32.7
Costa Rica	63.5
Guatemala	33.1
Honduras	50.5
Panama	69.4
France	59.7
Netherlands	59.0
United Kingdom	74.6
United States	71.9

a/ The figures are three-year averages, generally corresponding to the beginning of the 1960's. The figure for Mexico corresponds to 1950.

An analysis of the functional distribution of income shows up the inequalities in the incomes within the group of wage- and salary-earners which tend to be greater in Latin America than in the developed countries. This is basically due to the over-all difference between wages and salaries in the modern sector and in the non-modern sector.

The greatest degree of inequality, however, occurs in the distribution of profit income. This, combined with the large share of total income that ends up in the hands of those who are the recipients of profits, accounts to a large extent for the concentration of income at the top of the scale, which is itself the main reason for the comparatively greater inequality in the region.

Generally speaking, differences in average productivity and income levels between the modern and the non-modern sectors seem to correspond to the differences between urban and rural areas. The most striking fact is that, except in Argentina and Uruguay, there are great differences in average income, the urban figure being twice that in rural areas (see table 33).

This has to do with the fact that half the agricultural population of the region is in the primitive sector. Hence, the agricultural population forms the bulk of the concentration at the lower end of the scale, while the urban population accounts for between 80 and 90 per cent of those in the higher income groups.

Similarly, there is in general, a greater degree of inequality in Latin America in the distribution of rural income than in that of urban areas.

The measures traditionally considered to be the most effective means of improving the situation of the low-income group benefit the urban areas virtually exclusively. As an illustration suffice it to mention social security programmes and price-support or subsidy programmes for basic foodstuffs and public utilities. Policies designed to hold down the prices of agricultural products may even have adverse effects on low-income groups in rural areas.

In comparing the differences between regions in Latin America, it is neccesary to bear in mind that the inequality in income levels is much greater than it seems to be, since in many cases, the average for a region disguises concentration at one or other end of the scale. Regional income differences in Latin America are especially significant in the largest countries, in which entire region may be characterized by modern-type development and therefore both urban and rural income will be much higher than in other regions, although it is likely that there will still be differences between urban and rural incomes within each region (see table 34).

Any programme designed to reduce income inequalities must take account of regional and urban-rural disparities, which are the basic determinants of over-all income inequalities.

Table 33

RURAL AND URBAN INCOME

	Average urban income (Agricultural average = 100)	Percentage share of urban and rural income units in total income units	
		Rural	Urban
Venezuela	250	40.8	59.2
Mexico	231	44.2	55.8
Brazil a/	273	45.4	54.6
Costa Rica a/	184	50.0	50.0
El Salvador a/	229	60.2	39.8
Argentina a/	115	21.9	78.1

a/ Urban income was taken as being the income of the non-agricultural sector, and rural income that of the agricultural sector.

Table 34

REGIONAL INCOMES IN THE COMPOSITION OF THE INCOME STRUCTURE IN SELECTED COUNTRIES

(Percentages)

Country and region	Average income (national average = 100)	Percentage of all income units	Income groups: Lowest 20 per cent	30 per cent below the median	30 per cent above the median	15 per cent below the top 5 per cent	Top 5 per cent
Brazil							
South	123	36.2	15.1	27.6	49.4	53.3	46.1
East	109	36.2	39.8	37.5	32.9	35.0	39.5
North and West Central	87	7.2	4.1	7.6	8.8	6.7	6.5
North-east	47	20.4	41.0	27.3	9.5	5.0	7.9
Venezuela							
Lake Maracaibo	141	12.6	4.7	10.1	15.5	19.9	19.2
Cordillera de la Costa	128	40.6	27.9	35.0	45.4	52.8	59.0
Other regions	65	46.8	67.4	54.9	39.1	27.3	21.8
Mexico							
Federal District	185	13.5	1.3	7.5	17.8	24.5	38.0
North Pacific coast	172	7.0	2.5	3.8	6.8	15.9	19.4
Gulf of Mexico	101	11.5	8.2	12.7	12.1	12.3	12.2
North	97	20.3	17.2	20.5	22.7	20.6	15.6
Centre	67	35.0	51.5	40.3	30.2	20.2	11.5
South Pacific coast	65	12.7	19.3	15.2	10.4	6.5	3.3

Features of income distribution in selected countries

Argentina is the country in the region with the least inequality between bottom and the middle of the income scale and the income distribution which is most like that of the developed countries, although at the very top of the scale there is the concentration of income characteristic of Latin America. This pattern is attributable to the following factors:

(a) The primitive sector is very small in Argentina: less than 20 per cent of the labour force is engaged in agricultural activities; there are virtually no primitive agricultural activities and labour productivity in agriculture is as much as 11 per cent higher than that in non-agricultural activities; the structural labour surplus in urban areas is small.

(b) The way in which the modern sector has expanded in Argentina in recent years has caused relatively few problems as regards the modification of economic structures, since not only was the rate of expansion fairly slow, but there was also a reasonably advanced and integrated basis for growth.

(c) The growth of trade unions and labour associations has tended to prevent major disparities in income, as has the fact that unemployment and underemployment do not pose especially serious problems.

The fact that income concentration at the very top of the scale is just as great in Argentina as in the rest of Latin America appears to be due in the main to the concentration of ownership of property, both in agricultural and in urban areas, from which the top 5 per cent of income recipients derive four-fifths of their income. Nevertheless, given the fact that the over-all average income is higher and there is less inequality in the intermediate and lower portions of the scale, the high degree of concentration at the top does not prevent the Argentine economy from having a broad base for a mass market, unlike other Latin American countries. Moreover, the average annual income of the top 5 per cent in Argentina was estimated to be more than 10 000 dollars, and that of the top 1 per cent more than 27 000 dollars, in 1961, equalling in absolute terms the incomes of their European counterparts. These income levels are very much higher than those prevailing in other Latin American countries and one of their effects is that a reasonable amount of resources are available for saving, even though the consumption patterns of the top income group are similar to those in the same income group in Europe.

The pattern of income distribution in Venezuela is very similar to that of Mexico, and in many respects the reverse of the Argentine pattern. Compared with the figures for Latin America as a whole, both these countries share two special features: first, the poorer half of the population receives a lower share of total income than in the rest of the region; and, secondly, income inequalities are mainly due to disparities throughout the scale and less to concentration at the very top.

The reasons for this situation can basically be found in the characteristics and rate of growth of the modern sector in the two countries. Growth has been based on the use of capital-intensive techniques -in Venezuela in particular- and hence, compared with the rate of growth, the need for additional manpower has been small.

This fact, combined with a high rate of population increase -3.4 per cent per year in both countries- has meant that the primitive sector, although small in Venezuela compared with other countries and Mexico, has not shrunk and still has a great deal of influence on the intermediate and lower portions of the income scale.

In Mexico, because rural traditions are more deeply rooted, and have also been strengthened by agrarian reform measures, rural-urban migration has been less rapid, and hence the problems of underemployment has been mainly confined to the rural areas. Consequently, more than half of the persons employed in agriculture are engaged in primitive-type activities.

In Mexico and in Venezuela, the minimum income is no more than 15 per cent of the national average, and the poorest 20 per cent receive 3.6 and 3 per cent respectively of total personal income in the two countries. This group, however, is less favoured in Mexico in absolute terms, for its average per capita income is only 60 dollars.

In the upper half of the income scale in the two countries there is also a large degree of inequality, although it is comparatively less in Mexico, first, because the primitive sector is larger than in Venezuela and therefore exerts more downward pressure on income over a large portion of the scale and, secondly, because Mexican industry and construction activities have offered relatively more jobs and have had more constant levels of productivity. In both countries, however, the availability of foreign exchange (especially in Venezuela) has led to import policies that have been influential in ensuring that industrial growth should be based on capital-intensive methods.

Another factor that helps to explain the greater inequalities in the upper half of the scale in Venezuela has to do with the features of the petroleum sector. The high level of productivity in this sector makes it possible to pay high wages which are, moreover, encouraged as a means of retaining some of the income of the sector, which is controlled by foreign capital, in the country. The result has been that wages have been forced upward in other modern activities, were consonant with productivity.

Income concentration at the very top of the scale, while greater in Mexico than in Venezuela, is still less than in other Latin American countries; this appears to be due to the fact that the top 5 per cent includes two very different groups: the established economic élite, whose share in total income is falling as the modern sector rapidly expands, and a group which, like the 15 per cent below the top 5 per cent, is made up of those who have benefited from the growth of the modern sector, whose share in total income is increasing. In this respect, the differences between the top 5 per cent and the 15 per cent immediately below it are tending to become less pronounced.

The distribution of income in Brazil is more unequal than in other Latin American countries. The most striking feature is that the top 5 per cent in the income scale absorbs nearly 40 per cent of total income, its average income being nearly eight times the national average.

The group corresponding to the ninth and half the tenth decile, which is in principle represent the middle classes, receives incomes twice as high as the group immediately below it and one and a half times the national average which are much lower than the levels in other countries, such as Mexico and Venezuela. Therefore, the only real basis for a diversification of consumption in accordance with the standards of a developed modern society is a group comprising not more than 5 per cent of the population.

Although Brazil's rural sector is very large, its urban sector has a much greater influence on the over-all distribution. The difference in average income between the urban and rural areas is greater than on the other Latin American countries considered: the urban population receives an income which is on the average 2.7 times that of the rural population.

From the spatial standpoint, Brazil also offers the sharpest contrasts and the greatest degree of inequality. In 1960, Sao Paulo and Guanabara, with 23 per cent of the total population, absorbed 46 per cent of the national income, 60 per cent of industrial employment and over 70 per cent of manufacturing output. The average income of the North, North-east and East (excluding the states of Guanabara and Rio de Janeiro) is half the national average, so that some 60 per cent of the total population produces about 30 per cent of the total income.

Data on manufacturing industry in 1966 indicate a great concentration of income from employment particularly in the small group earning high wages and salaries: the top 5 per cent receives 30 per cent of total income and its average income is 22 times that of the poorest 5 per cent. The top 1 per cent receives almost 20 per cent of the total income of the sector, with an average that is 36 times the minimum wage and nearly 20 times the average industrial wage.

The root cause of the regressive pattern income distribution is the structural surplus of manpower in the primitive sector. This surplus is evident from the high proportion of own-account workers -the majority being rural and urban groups of under-employed workers with minimal income levels- and it keeps down the wage levels of the active population.

The distribution of income in El Salvador may be considered representative of that of several smaller countries in the region. The lowest income groups receive a larger proportion of total income than the same groups in most other countries of the region, but the broad middle sector, comprising 60 per cent of the population, receives a smaller proportion. The top 20 per cent, however, receives a higher proportion of the total than in any other country. Accordingly, the over-all inequality is very pronounced and is mainly due to the high degree of concentration in the upper part of the scale.

These characteristics are largely explained by the size of the primitive sector (which in 1960 accounted for 60 per cent of the labour force) in relation to the small scale of the economy, which has made it impossible to introduce many modern activities, as has been done in larger countries because the domestic market to which they would be geared is too small. The modern sector is mainly export-oriented, which may partly account for the discontinuity in the distribution and the concentration in the ninth and tenth deciles. Since export activities are structurally less closely linked with the economy as a whole than activities that are geared to the domestic market, and they do not help to raise income levels except in a very concentrated and restricted area.

The basic result of the Salvadorian distribution pattern is that the bulk of the population has no access to the market and cannot purchase modern products even on a modest scale. It is precisely in an economy like El Salvador's where the potential market for the broad masses is in any case very limited that the income distribution constitutes an additional limitation.

The terms of trade in Latin America

The terms of trade between Latin America and the world market depend essentially on the unit value of Latin American exports, which have fluctuated widely over the last twenty years (1948-1968), while imports have been more stable (see table 35). Thus, if we consider the annual averages of the first and second halves of the 1950's and the first eight years of the 1960's, which base year 1963 = 100, it can be seen that the unit value index of exports fell from 125 in 1951-1955 to 111 in 1956-1960, and to 103 in 1961-1968; on the other hand, the index of the unit value of imports remained at 98 in the 1950's and rose to 103 for the period 1961-1968. The terms of trade therefore fell from 127 to 113 and then to 100 in the three periods considered. This deterioration is much more pronounced (from 158 to 126 and 98 for the same periods) if the unit value of imports of capital goods and consumer durables

Table 35

LATIN AMERICA: TERMS OF TRADE WITH OTHER REGIONS, ESTIMATED ON THE BASIS OF TOTAL IMPORTS OF DURABLE CONSUMER GOODS AND CAPITAL GOODS

(Index: 1963 = 100)

Year	Unit value of exports	Unit value of imports		Terms of trade	
	Total	Total	Durable consumer goods and capital goods	Total	Durable consumer goods and capital goods
1948	103	89	68	116	151
1950	111	84	67	132	166
1955	121	99	82	122	148
1960	103	97	91	106	113
1961	103	98	95	105	108
1962	99	100	100	99	99
1963	100	100	100	100	100
1964	106	104	105	102	101
1965	104	105	107	99	97
1966	106	104	110	102	96
1967	103	106	111	97	93
1968	105	107	114	98	92
Average annual indexes					
1951-1955	125	98	79	127	158
1956-1960	111	98	88	113	126
1961-1968	103	103	105	100	98

Source: ECLA.

only is taken into account,[3] since the prices of raw materials, fuels and non-durable consumer goods are affected by the decline in the world prices of primary commodities.

Since raw materials, fuels and foodstuffs account for 85 per cent of Latin American exports, a certain parallel can be drawn between movements in the unit value index of total Latin American exports and movements in the price indexes of the twenty principal exports, provided the changes shown in the index are always expressed in terms of the same base year and not in absolute terms.

Despite some short-term anomalies, the export price index provides a fairly reliable picture of the influence of the various export commodities on the terms of trade.

The trend in the price indexes of staple exports for the period 1960-1968 (see table 36) reveals an improvement during 1964-1966 compared with previous years which is chiefly due to the sudden and sustained upsurge in metal prices from 1964 onwards and the relative stability of prices of agricultural products; this improvement shows up even more strongly if petroleum and petroleum products, whose prices dropped, are left out of account.

In the next two years (1967-1968) the index dropped owing to the steady fall in prices of petroleum and of the most important agricultural commodities in terms of regional exports (chiefly coffee, wool, maize and cattle hides).

From a comparison of annual averages for the past two decades, it can be seen that during the 1960's there was a sharp drop in most agricultural commodity prices which could not be entirely offset by the upswing in metal prices, since metals accounted for a smaller share of total exports. Moreover, annual average figures for the price and unit value indexes of most staple exports followed similar trends during the period 1961-1968.

As shown in table 36, the salient feature was the sudden and sustained upswing of the metal price index, which in 1966 was 52 per cent higher than in 1963 and remained at a high level during the following years (142 and 148 in 1967 and 1968, compared with the base year 1963). A major factor in this remarkable boom, which had no precedent in the previous decade, was the high price of copper and, to a lesser extent, of other non-ferrous metals such as tin, lead and zinc. On the other hand, the price of iron ore after 1963 remained at a somewhat lower level than at the beginning of the decade. The sudden upsurge in prices can be put down to unexpected events of the second half of the 1960's, such as the fighting in South-East Asia and the Middle East, in addition to the world financial crisis; there were also other incidental factors with short-term effects, such as strikes, including a particularly long one in the United States that affected copper. The effect of this was to stimulate demand for non-ferrous metals both for direct industrial use and for speculative purposes. Another determining factor was the normal working of demand, which became relatively more important as the effects of these exceptional circumstances wore off.

After a marked increase in 1963 and 1964 over previous years, prices of tropical products fell off again between 1965 and 1968 and their over-all level is now lower than in the 1950's. This decline since 1965 was largely the result of the drop in the prices of coffee and sugar, which together account for almost 30 per cent of total exports of the twenty basic commodities included in the index under consideration. As regards sugar, specifically, while prices rose on the United States market after 1966, free market prices after 1965 only reached a quarter of the 1963 level. Banana prices also dropped steadily after 1965, while cocoa picked up considerably in 1967 and 1968, after a long period of stagnation which forced down the 1961-1968 average to well below the figures for the previous decade. Cotton prices also improved in 1967-1968, though, unlike cocoa prices, these had remained fairly steady during 1961-1968, albeit at a lower level than in the previous decade.

The trend of prices of tropical-zone products is affected by many more factors than are non-ferrous metals. The climate in the producing región has an influence on supply, and there is a long-term tendency for output to increase faster than consumption, thereby causing prices to fall.

The corresponding decline in prices following the flooding of the market with these commodities during the 1960's could be counterbalanced neither by the international commodity agreements -on coffee and sugar, for instance- nor by the substantial increase in demand from both socialist and developing countries, whose share of world imports of tropical products is in any case still very small.

Prices of temperate-zone products fluctuated less during the past decade than those of tropical-zone products, settling at around the 1963 level, except during the period 1964-1967, when they rose following an increase in beef prices. These were much higher for the five years 1964-1968 than for 1960-1963, when they were already above the previous decade's figures. These prices also reflect an improvement in the quality of beef exports. Cereal prices on the other hand were down

3/ In examining the greater increase in prices of manufactures -especially capital goods- compared with the prices of raw materials, the changes in the composition of imports of manufactures over the last twenty years must be borne in mind.

Table 36

LATIN AMERICA: PRICE INDEXES FOR STAPLE EXPORTS, 1960-1968

(Index: 1963 = 100)

	1960	1961	1962	1963	1964	1965	1966	1967	1968	Annual averages 1951-1955a/	1956-1960 a/	1961-1968	Weight b/
I. Food, beverages and tobacco	92	89	87	100	108	100	96	92	90	...	...	95	41.6
A. Tropical-zone products	91	88	85	100	107	97	93	89	90	...	...	94	35.4
Sugar (open market)	37	34	35	100	69	25	22	24	25	46	43	42	6.6
(United States)	77	77	79	100	84	83	85	89	92	72	73	86	3.9
Bananas	95	95	95	100	90	96	92	93	89	130	127	94	2.9
Cocoa	101	85	80	100	87	64	87	100	124	149	122	91	1.5
Coffee (Santos-Brazil)	107	106	100	100	137	131	120	111	110	177	139	114	9.8
(Manizales-Colombia)	113	110	103	100	123	123	120	106	108	162	141	112	9.8
Tobacco	82	81	84	100	62	79	...	...	...	...	...	81	0.8
B. Temperate-zone products	99	98	99	100	111	116	114	112	96	...	...	106	6.2
Beef	107	101	106	100	122	133	125	121	...	89	95	115	2.8
Maize	91	90	88	100	101	108	108	101	94	133	102	99	1.7
Wheat	96	100	100	100	105	98	101	107	98	107	99	101	1.8
II. Agricultural crude materials	101	101	98	100	105	101	102	95	97	...	...	100	12.1
Linseed oil	121	133	120	100	112	100	91	98	111	139	129	108	0.8
Cotton (Matamoros-Mexico)	100	103	100	100	101	98	96	105	106	145	108	101	3.9
(Sao Paulo-Brazil)	99	106	101	100	99	99	92	100	102	171	106	100	1.3
(Pima-Peru)	119	110	102	100	117	105	109	118	127	150	126	111	0.4
Cattle hides	130	121	117	100	106	121	165	121	128	...	...	122	1.0
Quebracho extract	92	78	89	100	105	115	116	115	122	154	130	105	0.2
Fish meal	77	87	98	100	106	128	123	107	111	...	...	108	1.1
Wool (Montevideo-Uruguay)	96	79	87	100	111	83	94	83	72	136	100	89	1.2
(Buenos Aires-Argentina)	99	95	82	100	110	90	84	56	55	...	...	84	2.1
III. Metals	107	104	103	100	117	129	152	142	148	...	...	124	12.5
Copper	105	98	100	100	118	136	186	170	183	114	105	136	6.6
Tin	88	98	99	100	136	155	142	135	125	93	85	124	0.6
Iron ore	111	115	114	100	96	97	98	98	98	...	...	102	3.8
Lead	114	101	89	100	159	182	150	131	138	187	135	131	0.9
Zinc	116	101	88	100	154	147	133	121	124	147	108	122	0.6
IV. Petroleum and petroleum products	105	105	102	100	94	93	91	88	89	99c/	104c/	95	33.7
Total	99	98	97	100	104	101	102	97	98	...	...	100	100.0
Total, excluding petroleum and petroleum product	96	94	95	100	109	105	108	102	103	...	...	102	66.3

Source: ECLA.

a/ Re-estimated on the basis of the index for seventeen products, with base year 1958 = 100 (see Economic Survey of Latin America, 1964, p. 225).

b/ Estimated according to the share of each product in the total value of exports in 1963.

c/ Crude petroleum.

Table 37

LATIN AMERICA: TERMS OF TRADE OF SEVENTEEN COUNTRIES a/ GROUPED ACCORDING TO MAIN EXPORTS

(Index: 1963 = 100)

	Average annual indexes		
	1951-55	1956-60	1961-63
Metal-exporting countries			
Bolivia, Chile and Peru	110	102	118
Coffee-exporting countries			
Brazil, Colombia, Costa Rica, El Salvador and Guatemala	150	130	109
Banana-exporting countries			
Honduras, Panama and Ecuador	131	119	104
Sugar-exporting country			
Dominican Republic	145	108	101
Cotton-exporting country			
Nicaragua	120	97	102
Countries exporting livestock products			
Argentina and Uruguay	103	86	96
Petroleum-exporting country			
Venezuela	141	131	90
Country with diversified exports			
Mexico	125	104	97
Fourteen countries (excluding Bolivia, Chile and Peru)	129	115	97
Total Latin America	127	113	100

Source: ECLA.

a/ Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Peru, Uruguay and Venezuela.

compared with the previous decade and fluctuated widely from year to year, owing not only to variations in climate in the producing countries but also to the annual crops in the importing countries, which in bad years have to rely on imports. After a short-lived increase in 1964, wool prices fell off again in subsequent years largely as a result of competition from synthetic fibres.

The prices of petroleum and petroleum products, which account for a third in value of the twenty products included in the index, showed a steady downward trend throughout the decade. In the last three years, the index has fluctuated around 90 per cent of the 1963 figure.

It should be borne in mind that because of the decisive influence of international prices on Latin America's terms of trade, the trend of the terms of trade in the various countries of the region depended mainly on how their staple exports fared.

Table 37 summarizes the trend of the terms of trade of seventeen countries in the region by main exports. The figures show that the three metal-exporting countries (Bolivia, Chile and Peru) were the only ones to improve their terms of trade in the 1960's compared with the previous decade, while the terms of trade declined appreciably in the fourteen other Latin American countries studied.

The decline in terms of trade during the 1960's was greater in Latin America than in other developing regions. Between the periods 1955-1960 and 1961-1968 the average terms-of-trade index, still with base year 1963, fell from 108 to 99 in all the developing countries and from 115 to 100 in Latin America.

Looked at from another standpoint, i. e., in terms of Latin America's share in the world market for eight exports -which account for 60 per cent of the region's total exports- it would seem that, with the exception of bananas and copper, Latin America's share of the world export trade contracted appreciably (see table 38). A comparison of the average for the period 1955-57 and that for the year 1968 shows that Latin America's share in world exports fell from 75 to 64 per cent in the case of coffee; from 55 to 47 per cent in the case of sugar (if Cuba is excluded it grew from 20 to 23 per cent); from 28 to 19 per cent in the case of cocoa; from 8 to 3 per cent in the case of Argentine wheat; and from 27 to 16 per cent in the case of Venezuelan petroleum. Thus, the products and countries in respect of which the decline in the terms of trade was greatest also lost ground in the world export market. Exceptions to this trend were bananas, in which Latin America maintained its large share; and copper, in which it maintained its share owing to the upward trend of prices.

Table 38

LATIN AMERICA: POSITION IN THE WORLD MARKET FOR SELECTED EXPORT COMMODITIES

(Percentages)

	1955-57	1967	1968
Coffee	100	100	100
Latin America	75	64	64
Brazil	41	33	34
Colombia	15	12	12
Bananas	100	100	100
Latin America	77	76	79
Central America	33	33	37
South America	33	32	31
Caribbean	11	11	11
Sugar	100	100	100
Latin America	55	50	47
Cuba	35	28	24
Rest of Latin America	20	22	23
Cocoa	100	100	100
Latin America	28	21	19
Brazil	16	11	7
Beef	100	100	100
Latin America	43	32	29
Argentina	38	24	16
Uruguay	3	4	6
Wheat	100	100	100
Argentina	8	4	5
Crude petroleum	100	100	100
Venezuela	27	16	16

Source: ECLA, on the basis of FAO *Commodity Review*.

a/ 1960.

Recent trends in Latin America's maritime transport

Latin America's position in international sea-borne trade

Latin America's foreign trade is only a very small part of world trade (slightly more than 5 per cent in 1968); moreover, its relative position is steadily deteriorating since trade between developed countries (OECD countries) is growing much faster than between Latin America and the rest of the world. Trade with OECD countries accounts for more than 80 per cent of Latin America's foreign trade. This naturally affects maritime transport and in particular encourages shippers in the area to take part in the freight conferences which govern shipping routes to the northern hemisphere.

Dry cargo shipments between Latin America and the OECD countries amounted to 124. 3 million tons in 1967 (22. 1 million tons of imports to the region and 102. 2 million tons of exports), i. e., 15 per cent of the world total.

World seaborne dry cargo transport increased 63 per cent between 1959 and 1966. The volume cargo loaded in Latin America must have followed roughly the same pattern, since Latin America's share of the total remained more or less constant at 12 per cent. Hence the drop in its share of world trade must be attributed to variations in the price of its exports and to the deterioration in the relative share of its petroleum exports, which fell from 30 to 18. 5 per cent. World petroleum exports doubled between 1959 and 1966, while Latin America's rose by only 23 per cent.

Between 1955 and 1958, the relative share of Latin America's merchant fleet in the world tonnage dropped from 4. 1 to 2. 7 per cent. Leaving Panama aside, oil tankers represent 36. 5 per cent of the region's gross registered tonnage while bulk carriers of 6 000 grt and over barely account for 4 per cent of the Latin American fleet. Despite the importance of bulk transport, only Argentina, Brazil and Chile had bulk carriers in 1968.

Excluding Panama, twenty Latin American countries together possess 4. 6 million grt -less than the tonnage in Panama alone and equal to Japan's bulk carrier tonnage; most of this is concentrated in Argentina, Brazil, Mexico and Venezuela (71 per cent of the region's total tonnage and 84 per cent of the tanker tonnage).

The development of the world bulk carrier fleet from 1961 to 1968 is highly significant since the proportion of bulk carriers in the total dry cargo fleet increased from 9 to 31 per cent. This is a clear indication of the need for Latin America to adapt itself to this technological trend.

The merchant fleets of fourteen Latin American countries (not counting vessels of less than 1 000 grt) increased by 10 per cent between 1964 and 1969, whereas the number of ships decreased from 703 to 674. During these five years the tonnage of the ocean-going fleet went up by 22 per cent, while that of the coastal fleet remained practically unchanged, and that of the inland waterways fleet dropped by 6 per cent. The average is not very helpful since Argentina's total tonnage decreased by 13 per cent and the tonnage of ocean-going shipping by 26 per cent, the corresponding figures for Chile being 8 and 5 per cent respectively. By contrast, Brazil and Venezuela increased their total tonnage by percentages close to the regional average and Cuba and Colombia-Ecuador by 93 and 80 per cent respectively over the same period.

Considerable progress was made in the introduction of specialized vessels. In 1964, Brazil had two cargo ships with a speed of more than 18 knots and, in 1969, Chile and Colombia-Ecuador together possessed thirteen; the number of refrigerator ships in the region increased from two to nine during that period, and that of bulk carriers from six to fourteen. However, this still only represents 321 000 grt which is far below the requirements of the region's foreign trade.

The general composition of the region's fleet varies widely from country to country. State-owned shipping is very common and accounts for 58. 5 per cent of total tonnage; moreover, the six largest

Table 39

LATIN AMERICA: STATE-OWNED AND PRIVATELY OWNED MERCHANT FLEET, 1964 AND 1969 a/

Country	1 January 1964				1 January 1969				GRT	
	State owned		Privately owned		State owned		Privately owned		Gain or loss state owned (percent-age)	Gain or loss privately owned (percent-age)
	Units	GRT	Units	GRT	Units	GRT	Units	GRT		
Argentina	138	781 951	78	418 110	102	630 399	81	413 501	-19.4	-1.1
Brazil	145	861 477	91	250 451	124	841 425	92	380 552	-2.3	51.9
Chile	13	41 887	39	238 941	14	53 206	28	205 985	27.0	-13.8
Colombia	3	15 435	32	118 547	11	66 783	30	172 332	332.7	45.4
Cuba	32	126 755	-	-	49	244 092	-	-	92.6	-
Domincan Republic	4	11 886	1	1 167	2	6 463	2	3 117	-45.6	167.1
Guatemala	2	3 629	-	-	2	3 629	-	-	-	-
Mexico	18	149 295	11	45 426	22	233 285	14	49 475	56.3	8.9
Nicaragua	4	9 793	-	-	5	11 116	1	4 105	13.5	-
Paraguay	12	13 365	-	-	14	15 713	-	-	17.6	-
Peru	21	111 641	9	32 003	16	108 393	12	78 498	-2.9	145.3
Uruguay	8	62 824	8	33 490	7	57 181	11	69 009	-9.0	106.1
Venezuela	11	42 075	23	234 824	12	45 726	23	264 703	8.7	12.7
Total	411	2 232 013	292	1 372 959	380	2 317 411	294	1 641 277	3.8	19.5

Source: IEMMI, op. cit., 1969.

a/ Includes only self-propelled vessels of 1 000 grt and over.

shipping lines are government-owned. Nevertheless, between 1964 and 1969 the tonnage owned by government lines increased by only 4 per cent, compared with the private lines' 19.5 per cent (see table 39).

In 1964, only thirty ships in the Latin American merchant fleet, with a total of 92 550 grt, had been built in the region, i.e., 2.5 per cent of total tonnage. In 1969, the figures rose to seventy-eight ships built with 431 754 grt, 11 per cent of the total tonnage.

On 1 January orders for new ships totalled 1.4 million grt of the 116 vessels on order, 80 -of which 19 were specialized vessels- were destined for the overseas routes, excluding tankers. Brazil, Chile, Mexico, Peru and Venezuela are awaiting delivery of new vessels all of which have a 25 per cent higher tonnage than their existing ships.

National merchant marines and the balance of payments

One of the principal reasons that have motivated the desire of Latin America to increase its merchant fleet is to be able to transport more of its foreign trade in its own vessels, and hence to reduce its foreign exchange payments to foreign shipowners. According to a study made by the International Monetary Fund, Latin America paid a total of 746 million dollars in maritime freights on its imports in 1961, while the ships of the region earned a total of 220 million dollars in the transport of the region's imports and exports plus cross-trades. To this deficit of 256 million dollars on the freight account must be added the deficit of 24 million dollars for merchandise insurance and a major part of the deficit of 65 million dollars corresponding to other transport items, most of which refer to post expenditures, expenditures of national ships while abroad, ship rentals, etc., but also include items related to air transport. The total transport deficit in the balance of payments of Latin America in 1961 was thus some 615 million dollars.

Similar data for 1967 indicate that the deficit decreased compared with 1961, despite the fact that freight payments on imports increased substantially during the interval. While the deficit on the freight account apparently decreased by 74 million dollars, there was a substantial decrease in the deficit corresponding to other transport items, so that the maritime transport deficit in 1967 was probably around 418 million dollars. In part, however, the change noted is due to a more exact separation of maritime activities in 1967 within the total transport account.

In an earlier study, ECLA estimated that in 1962 the ALALC countries (with the exception of Bolivia) generated a total of 2 008 million dollars in freight payments on exports and imports. Of this total, national flag ships of these countries received 220 million dollars, or 11 per cent.

Comparable estimates for 1967 for the same ten countries indicate that total freight payments on exports and imports reached 2 368 million dollars, of which their vessels received 352 million, 14 per cent of the total. Thus it would seem that collectively these countries are maintaining their share of the total freight payments, but there has been little real progress during the five years towards increasing their participation.

When the participation of Latin American vessels in the transport of exports is compared with that for imports in 1967 it is seen that while 25 per cent of total freight payments on imports were received by the ships of the different importing countries, these vessels received only 7 per cent of total freight payments on exports. As total freight on the region's exports, estimated to be 1 920 million dollars in 1967, far exceeds the corresponding total on imports, estimated at around 845 million, it is clear that Latin America must look to its exports if it is to increase its carryings of the region's foreign trade significantly (see table 40).

This conclusion is reinforced when the participation of Latin American ships in the carriage of the physical quantities of exports and imports is examined. For 1962, ECLA has estimated that vessels of the ALALC countries (with the exception of Bolivia and Venezuela) transported 32 per cent of the tonnage of their respective countries' imports and only 8 per cent of the exports, giving an average of 7 per cent of total foreign trade tonnage. Comparable estimates for 1967, indicate that the same countries in that year transported the same percentage of the physical quantity of exports and imports as in 1962. This lack of progress is due principally to the inability of the Latin American countries to transport more of their bulk exports.

If Latin America were able to increase its participation in total freights generated by its foreign trade to 30 per cent, its vessels would earn nearly an additional 500 million dollars a year. Not all of this would represent a net improvement in the balance of payments, however, as UNCTAD has indicated that even under the most favourable

Table 40

LATIN AMERICA: MARITIME FREIGHTS IN FOREIGN TRADE, 1967

(Millions of dollars and percentages)

Country	Total freights on imports	Paid to national flag ships	Percentage	Total freights on exports	Paid to national flag ships	Percentage	Total freights	Total paid to national flag ships	Total paid to foreign ships	Percentage of total freights paid to national flag ships
Argentina	99.8	24.9	25	199.8	18.0	9	299.6	42.9	256.7	14
Bolivia	19.3	-	-	20.0	-	-	39.3	-	39.3	-
Brazil	219.7	93.3	42	207.0	33.6	16	426.7	126.9	299.8	30
Chile	68.5	17.0	25	93.0	12.1	13	161.5	29.1	132.4	18
Colombia	42.0	11.4	27	101.0	5.2	5	143.0	16.6	126.4	12
Costa Rica	17.2	1.4	8	35.0	0.8	2	52.2	2.2	50.0	4
Dominican Republic	16.5	-	-	22.0	3.8	17	38.5	3.8	34.7	10
Ecuador	17.3	4.2	24	52.7	3.0	6	70.0	7.2	62.8	10
El Salvador	19.0	-	-	18.0	-	-	37.0	-	37.0	-
Guatemala	19.7	-	-	18.0	0.1	1	37.7	0.1	37.6	-
Haiti	3.8	-	-	3.5	-	-	7.3	-	7.3	-
Honduras	14.3	0.6	4	56.0	0.2	-	70.3	0.8	69.5	1
Mexico	53.0	12.0	23	150.0	8.0	5	203.0	20.0	183.0	10
Nicaragua	27.4	4.8	18	15.5	2.1	14	42.9	6.9	36.0	16
Panama	21.2	-	-	50.5	-	-	71.7	-	71.7	-
Paraguay	9.7	3.0	31	9.9	1.8	18	19.6	4.8	14.8	24
Peru	69.0	13.0	19	157.0	5.0	3	226.0	18.0	208.0	8
Uruguay	26.0	9.7	37	11.0	1.7	15	37.0	11.4	25.6	31
Venezuela	82.0	19.2	23	700.0	41.8	6	782.0	61.0	721.0	8
Total	845.4	214.5	25	1 919.9	137.2	7	2 765.3	351.7	2 413.6	13
Total for ALALC countries (excluding Bolivia)	687.0	207.0	30	1 681.4	130.2	8	2 368.4	337.9	2 030.5	14

Source: For ALALC countries (excluding Bolivia), OAS/ALALC Transport Programme. For the other countries, IMF and ECLA estimates.

conditions, where a country builds its own ships, not more than 60 per cent of freight earnings represents gains to the balance of payments. It is probable, therefore, that an increase in freight earnings of 500 million dollars would lead to an improvement in the region's balance of payments of between 100 and 300 million dollars annually.

Maritime freight rates and Latin America's foreign trade

Latin American ships transported less than 10 per cent of the volume of the region's foreign trade in 1967 and received only about 12 per cent of the total freight payments generated by this trade. Since so much of the region's trade is transported in ships from outside the region, even relatively small changes in the general level of freight rates can represent many millions of dollars, important not only because of their direct impact on the balance of payments but also because they can affect the competitive position of Latin American exports in foreign markets.

Studies made by UNCTAD have shown that frequently Latin America's imports are transported on c.i.f. terms and its exports f.o.b., since a major part of the former is composed of industrial goods while most of the latter are raw materials. In this situation, the foreign exporter and importer in the developed countries select the ship to be used for the transport of the region's imports and exports. These studies have also indicated that because of the relationship between the supply and demand elasticities of both the imports and the exports of Latin America it is this region rather than the developed countries which ultimately bears the cost of the transport services for much of the region's foreign trade.

Much attention has been given in meetings of the Latin America countries in recent years to the practices of the freight conferences which operate in the region's foreign trade and to the criteria applied by the conferences in setting freight rates. While in general the countries of the region accept the necessity for freight conferences, they believe that it is essential to modify the way in which they operate. Specifically, shipping lines in Latin America should be admitted to the conferences which affect these countries' trade and the conferences should publicize their freight rates and other shipping conditions.

Recently ECLA has published a study of the level and structure of the conference freight rates which affect the exports of Latin America. This study was based on a multiple regression analysis of liner freight rates applied to 133 export commodities over 193 shipping routes, defined in terms of traffic between two countries. This type of model permitted a simultaneous examination of many of the factors believed traditionally to affect freight rates so as to isolate those which appear to be most significant.

The results of the econometric analysis were satisfactory in the study of the structure of rates, i.e., in explaining why different products transported between the same two ports have different rates. The variation in rates among the different products is clarified adecuately by using only the value of the product and the stowage factor (the relation between the volume and weight of the product) as explanatory variables.

The results of the analysis of the level of rates were less uniform. In this case the objective was to explain why the freight rate for the same product varies between different pairs of ports. While no single econometric model was satisfactory for even a majority of the products studied, three explanatory variables did emerge as being consistently important. These are the number of shipping lines serving a route, the distance over which the product is carried, and port dues and charges, although in this latter case the relationship was inverse rather than direct, perhaps because the most expensive ports are also those which operate most rapidly and hence permit lower total costs to the ship.

It is not surprising that the study of the level of rates led to less uniform results than did that of the structure of rates. In this latter case, the corresponding analysis was an examination of a single decision-making unit, the freight conference which establishes the rates on a single shipping route between two ports. While each conference takes into account the same basic factors in establishing the structure of rates for its route, different conferences give varying importance to these factors. Thus in the study of the level of rates, where the decisions of different conferences are analyzed simultaneously, the lack of uniformity in the criteria applied by different conferences is evident in the disparity between the econometric results.

Latin America has also criticized the conferences' practice of applying identical freight rates to extended geographical regions encompassing many ports with widely variying costs. This condition provides little incentive to improve port efficiency, since there is no corresponding change in the freight rates for exports and imports shipped through that port.

Latin American maritime shipping policies

The attitude of Latin America towards maritime shipping has changed considerably over the last eighty years. Interest has shifted from exclusive concern with improved maritime services at lower cost to increasing Latin America's merchant fleet and securing a greater part of its foreign trade for its own carriers. Earlier criticisms of shipping conference practices have given way to a search for some machinery which would ensure that conferences do not thwart Latin America's desire to expand its exports and improve its balance of payments. In UNCTAD, Latin America has found a forum in which to discuss its aspirations directly with over governments.

A major step forward was the conclusions of the ALALC Water Transport Convention after much discussion of many thorny points on which there was disagreement, not only between the developed countries and Latin America but among the Latin American countries themselves. One of these points was whether the cargo reserves should be applied on a bilateral or a multilateral basis; conflicts of interest on this point have made progress arduous and slow, both within ALALC and within the newly created Latin American Shipowners Association (ALAMAR).

The principle that ALALC cargoes should be carried in ALALC ships was first formulated in a resolution adopted by the ALALC Meeting of Experts on Maritime and River Transport, in July 1962, and was later endorsed by the Conference of the Contracting Parties. How this principle was to be applied to the question of cargo reserves led to prolonged and heated debates both in ALALC and in ALAMAR, and a set of rules for the application of the Convention was not adopted until the end of 1968, and then without the agreement of Brazil and Argentina.

Brazil emerged at the end of this period in a strong position with regard to its merchant marine, although it had refused to sign the rules for the application of the Water Transport Convention. Like the other Latin American countries, it had been taking measures to promote the development of its national merchant fleet. The Brazilian Merchant Marine Commission, reorganized in 1966, had assumed great importance by 1969, when it was renamed the National Agency for the Merchant Marine (SUNAMAM). Backed by strong Government support, the Commission made Brazil the first Latin American country to design a clear maritime transport policy and to take really effective steps to achieve its policy aims.

It was remarkably successful in all fields. Shipbuilding increased, port operations were improved, Lloyd Brasileiro was transformed into a commercially oriented enterprise and the trade of which it had a former monopoly is now shared with other national carriers, but the external sphere -particularly the shipping conferences and the shipping pools for the transport of such commodities as coffee and cocoa- Brazil had a hard fight to secure greater participation of its own ships in the transport of its foreign trade. Eventually the application of its policy brought it into opposition with the United States.

In 1967, the reorganized Lloyd Brasileiro, acting on behalf of the Merchant Marine Commission, called a meeting of the members of the Brazil/United States-Canada Freight Conference to discuss a pooling agreement, but the negotiations broke down and a new conference -the Inter-American Freight Conference- was formed, comprising Lloyd Brasileiro and one other Brazilian carrier, one Argentinian and one Uruguayan carrier, and two from the United States. The European carriers which had carried much of the cargo under the former conference, seeing their share of the trade much diminished by the new arrangements, at first withdrew from the negotiations for the establishment of the Inter-American Freight Conference but finally, feeling that half a loaf was better than no bread, joined it.

In November 1967, the members of the Conference signed pooling agreements for the transport of coffee and cocoa. Although the statutes of the new freight conference had been approved by both the Brazilian Merchant Marine Commission and the Federal Maritime Commission of the United States, the coffee and cocoa pools seem to be in some danger of not securing the approval of the latter. If it withholds its approval, there will in effect be a conflict between the regulatory bodies of Brazil and the United States.

Its position strengthened by this success, the Brazilian Merchant Marine Commission turned its attention to the trades with Europe, determined to secure a larger share of the transport for Brazilian flag ships. It met with considerable resistance from the European carriers, which stood to lose much of their former trade to Brazilian lines, but they, too, finally capitulated, and the Brazil/Europe Freight Conference and the Outward Continental/Brazil Freight Conference, which Brazil no longer recognized, were replaced by a new conference, the Europe/Brazil/Europe Freight Conference in November 1968. Under the new agreement, 32.5 per cent of Brazil's exports and 50 per cent of its imports are reserved for Brazilian flag ships, and these shares are to be raised to 40 and 65 per cent within the next ten years. A similar conference was formed to cover trade with the Far East in April 1969, and bilateral agreements were also signed with Argentina, Portugal and Poland.

Brazil has, therefore, achieved much of what the other Latin American countries are aspiring to, but it is clear that its system, based fundamentally on bilateral agreements, cannot be extended to the region as a whole without drastic modifications.

In the Unites States, the Federal Maritime Commission, at first the not very zealous supervisor of the application of the 1916 Shipping Act regulating freight conferences in United States international seaborne transport, was prodded into action by Congress and initiated a series of studies of freight rates on that country's exports and imports. This has brought protests from the carriers of other countries and even of some in the United States itself. The idea of some kind of international body to deal with restrictive practices is in the air, but there is no indication as yet that the traditional maritime nations would accept such a proposal.

Some aspects of maritime policy have been sufficiently discussed in meetings of the Latin American countries to permit proposing recommendations which represent a consensus of the views of these nations. Disagreement persists regarding other aspects, however, and the recommendations here are intended only to clarify basic issues so as to permit analysis by the countries of the alternatives which are available.

For Latin America to increase its participation in the transport of the region's foreign trade significantly it must increase its carryings of bulk exports. This, in turn, requires the acquisition of large and specialized vessels, perhaps on a multinational basis, in order to obtain low transport costs.

Studies are required to determine whether inadequate shipping services are partly responsible for the present low volumes of trade between Latin America and Western Europe, the USSR, Asia and Africa. These studies should also consider the effect that the adoption of new transport systems based on the use of containers will have on present trading patterns.

The debate between proponents of bilateral and multilateral cargo reserve systems within ALALC has assumed renewed importance following Brazil's decision to oblige the freight conferences to give a greater share of total cargo to the importing and exporting countries on its trade routes. Carried to its logical extreme, a policy of bilateral reserves, on the air transport pattern, is economically indefensible, mainly because it would lead to poor utilization of shipping capacity and consequently to higher costs.

A reasonable solution might be a policy of reserving a certain percentage of cargo for transport by the merchant marines of individual countries or groups of countries (e. g., the Andean group), recognizing -as Brazil does- that a certain amount of competition from third-flag carriers is necessary, and indeed healthy. The percentage reserved would depend on the volume and equilibrium of trade on a specific route. Liner cargo, and possibly bulk transport too, could be shared on a multilateral basis within blocs of countries.

It would be desirable for Latin America to adopt a common policy regarding freight conferences. For thus purpose, countries might require the freight conferences, inter alia, to register their agreements and tariffs, to admit as members the shipping lines of all the nations they serve, and to rationalize transport provided by conference members. This latter type of policy will be easier to apply if countries intend to strengthen the conferences and reduce the threat of competition.

Conference agreements and tariffs may be regulated unilaterally, but a common Latin American policy on freight rates might well be opposed by foreign traders. A more general international agreement seems more feasible. Moreover, the regulation of the level of rates would require agreement among the countries affected regarding the criteria to be applied as well as the co-operation of the conferences. As regards rate structure, the present practice whereby conference freight rates reflect the value of the product transported is probably more advantageous to Latin America than a rate structure based on average cost. But the weight given to the value of individual commodities varies among the different conferences and the determination of a uniform structure raises formidable problems. The ALALC Water Transport Convention will provide valuable experience as it allows for the establishment of rates by the conferences, acting in consultation with the national regulatory agencies.

Shippers' councils could play an important role in the negotiation of freight rates by putting pressure on conferences. Latin American councils do not have sufficient technical personnel at present to work effectively, however.